

Texas Water Development Board

Application Northeast Water Purification Plant Expansion

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Legal Authority

The legal authority under which the applicant was created and operates.: OTHER

Legal Authority Other Desc: House Bill No. 3181, enacted by the 79th Texas Legislature, Regular Session and codified at Chapter 8815, Texas Special District Local Laws Code



The State of Texas
Secretary of State

I, ROGER WILLIAMS, Secretary of State of the State of Texas, DO
HEREBY CERTIFY that the attached is a true and correct copy of House
Bill Number 3181 passed by the 79th Legislature, Regular Session, 2005,
as signed by the Governor on June 17, 2005, and filed in this office on
June 17, 2005.

Date issued: August 12, 2005

A handwritten signature in black ink that reads "Roger Williams".

Roger Williams
Secretary of State



ST/lis

AN ACT

1
2 relating to the creation of the Central Harris County Regional
3 Water Authority; providing authority to issue bonds or notes;
4 granting the power of eminent domain; providing an administrative
5 penalty.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Subtitle H, Title 6, Special District Local Laws
8 Code, is amended by adding Chapter 8815 to read as follows:

9 CHAPTER 8815. CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

10 SUBCHAPTER A. GENERAL PROVISIONS

11 Sec. 8815.001. DEFINITIONS. In this chapter:

12 (1) "Authority" means the Central Harris County
13 Regional Water Authority.

14 (2) "Board" means the board of directors of the
15 authority.

16 (3) "Commission" means the Texas Commission on
17 Environmental Quality or its successor.

18 (4) "Director" means a member of the board.

19 (5) "District" means any district created under
20 Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI,
21 Texas Constitution, regardless of the manner of creation, other
22 than:

23 (A) a navigation district or port authority; or

24 (B) a district governed by Chapter 36, Water

1 Code.

2 (6) "Groundwater reduction plan" means a plan adopted
3 or implemented to supply water, reduce reliance on groundwater,
4 regulate groundwater pumping and usage, or require and allocate
5 water usage among persons in order to comply with or exceed
6 requirements imposed by the subsidence district, including any
7 applicable groundwater reduction requirements.

8 (7) "Local government" means a municipality, county,
9 district, or other political subdivision of this state or a
10 combination of two or more of those entities.

11 (8) "Member district" means each of the following
12 conservation and reclamation districts created under Section 59,
13 Article XVI, Texas Constitution:

14 (A) Harris County Municipal Utility District No.
15 33;

16 (B) Harris County Municipal Utility District No.
17 150;

18 (C) Harris County Municipal Utility District No.
19 200;

20 (D) Harris County Municipal Utility District No.
21 205;

22 (E) Harris County Municipal Utility District No.
23 215;

24 (F) Harris County Municipal Utility District No.
25 217;

26 (G) Harris County Municipal Utility District No.
27 304;

1 (H) Harris County Municipal Utility District No.
2 399;

3 (I) Harris County Utility District No. 16;

4 (J) Fallbrook Utility District; and

5 (K) Rankin Road West Municipal Utility District.

6 (9) "Subsidence" means the lowering in elevation of
7 the surface of land by the withdrawal of groundwater.

8 (10) "Subsidence district" means the Harris-Galveston
9 Coastal Subsidence District.

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

14 (12) "Water" includes:

15 (A) groundwater, percolating or otherwise;

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

18 (C) industrial and municipal wastewater.

19 (13) "Well" includes a facility or device owned or
20 partially owned by a member district and used to withdraw
21 groundwater from a groundwater source inside or outside the
22 boundaries of the authority for the purpose of supplying water to
23 territory in the authority.

24 Sec. 8815.002. NATURE OF AUTHORITY. The authority is a
25 regional water authority in Harris County created under and
26 essential to accomplish the purposes of Section 59, Article XVI,
27 Texas Constitution.

1 Sec. 8815.003. CONFIRMATION ELECTION NOT REQUIRED. An
2 election to confirm the creation of the authority is not required.

3 Sec. 8815.004. AUTHORITY TERRITORY. (a) The initial
4 territory of the authority consists of the combined territories of
5 each of the member districts as of the effective date of the law
6 creating this chapter, regardless of whether the territory contains
7 noncontiguous parcels of land or whether the territory is located
8 within the boundaries of any other governmental entity or political
9 subdivision of this state.

10 (b) The authority may annex additional territory under
11 Section 8815.006.

12 (c) Territory may be excluded from the authority under
13 Section 8815.005.

14 Sec. 8815.005. EXCLUSION OF CERTAIN TERRITORY. (a) On the
15 mutual agreement of the board and the governing body of a member
16 district, all of the land within that member district may be
17 excluded from the authority.

18 (b) If a member district is excluded from the authority's
19 boundaries under this section, the authority:

20 (1) is not required to provide water or any other
21 service to the district; and

22 (2) is not required to include the district in any
23 groundwater reduction plan adopted or implemented by the authority
24 and may remove the district from any groundwater reduction plan
25 adopted by the authority that includes the district.

26 (c) If a member district excluded from the authority's
27 boundaries under this section petitions the authority to be annexed

1 under Section 8815.006, the authority may annex the district. The
2 authority may require, as a condition of annexation, terms and
3 conditions the board considers appropriate. The authority may
4 require the district to pay the authority the fees, user fees,
5 charges, and special assessments, with interest, that, as
6 determined by the authority, the district would have been charged
7 by the authority if the district had not been excluded from the
8 authority under this section.

9 Sec. 8815.006. ANNEXATION. (a) Except to the extent the
10 authority agrees in writing, a municipality's annexation of
11 territory within the authority does not affect:

12 (1) the authority's powers inside or outside the
13 annexed territory;

14 (2) the authority's boundaries or contracts; or

15 (3) the authority's ability to assess fees, user fees,
16 rates, charges, or special assessments inside or outside the
17 territory annexed by the municipality.

18 (b) Territory within the authority annexed by a
19 municipality may be excluded from the authority under a written
20 agreement between the authority and the municipality.

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

24 (d) In addition to the authority granted by Subsection (c),
25 regardless of whether the territory is contiguous to the authority,
26 the authority may annex all of the territory located within a
27 district if the district files with the authority a petition

1 requesting the annexation signed by a majority of the members of the
2 governing body of the district. The petition must include an
3 accurate legal description of the boundaries of the district. If
4 the authority has bonds, notes, or other obligations outstanding,
5 the authority shall require the petitioning district to be
6 obligated to pay its share of the principal of and interest on the
7 outstanding bonds, notes, or other obligations, and related costs.
8 The authority may also require the petitioning district to pay a
9 portion of the expenses incurred by the member districts in
10 connection with the organization, creation, and administration of
11 the authority. The board may grant the petition and order the
12 district annexed to the authority if:

13 (1) it is feasible, practicable, and to the advantage
14 of the authority; and

15 (2) the authority's system and other improvements are
16 sufficient or will be sufficient to supply surface water and
17 groundwater to the added territory, if required under any
18 groundwater reduction plan adopted and implemented by the
19 authority, without harming the territory already included in the
20 authority.

21 (e) Any territory that a member district annexes after the
22 effective date of the Act creating this chapter becomes territory
23 of the authority only on the adoption of an order or resolution by
24 the board consenting to the inclusion of the additional territory
25 within the authority. The authority by rule may require all member
26 districts to send to the authority written notice of the effective
27 date of an annexation and require the member districts to send to

1 the authority copies of any necessary documents describing the
2 annexed land and describing the member districts' boundaries and
3 actual and projected water usage requirements as they exist after
4 inclusion of the annexed land.

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

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

11 (1) receive notices from the authority under Section
12 8815.103(c);

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

15 (3) receive information about or have the opportunity
16 to fund its share of capital costs in the manner provided by the
17 authority under Section 8815.104.

18 Sec. 8815.007. APPLICABILITY OF OTHER LAW. (a) Except as
19 otherwise provided by this chapter, Chapter 49, Water Code, applies
20 to the authority.

21 (b) This chapter does not prevail over or preempt a
22 provision of Chapter 36, Water Code, or Chapter 8801 of this code
23 that is being implemented by the subsidence district.

24 [Sections 8815.008-8815.020 reserved for expansion]

25 SUBCHAPTER A-1. TEMPORARY PROVISIONS

26 Sec. 8815.021. INITIAL DIRECTORS. (a) The initial board
27 consists of:

<u>Name of Director:</u>	<u>Representing Director Precinct:</u>
<u>Margaret Cox</u>	<u>1</u>
<u>Judge Caston</u>	<u>2</u>
<u>Barbara Hays</u>	<u>3</u>
<u>Julian Boddy</u>	<u>At large</u>
<u>James A. Johnson</u>	<u>At large</u>

(b) At the first meeting of the initial board, or as soon as practicable after that meeting, the directors shall draw lots to determine:

(1) their terms so that:

(A) three directors, including one at-large position, serve until the first appointment of directors under Section 8815.055 in 2006; and

(B) two directors, including one at-large position, serve until the second appointment of directors under Section 8815.055 in 2008; and

(2) which two director precincts appoint a director in the first even-numbered year in which directors are appointed under Section 8815.055.

Sec. 8815.022. EXPIRATION OF SUBCHAPTER. This subchapter expires September 1, 2010.

[Sections 8815.023-8815.050 reserved for expansion]

SUBCHAPTER B. BOARD OF DIRECTORS

Sec. 8815.051. DIRECTORS; TERMS. (a) The authority is governed by a board of five directors.

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

1 (c) Each director must qualify to serve as director in the
2 manner provided by Section 49.055, Water Code.

3 Sec. 8815.052. ELIGIBILITY TO SERVE AS DIRECTOR. (a) To be
4 eligible to serve as a director or to be listed on a ballot as a
5 candidate for director, an individual must:

6 (1) be at least 18 years of age;

7 (2) be a resident of this state;

8 (3) own land in or be a qualified voter in the
9 authority; and

10 (4) have served as a director of one or more districts
11 for a total of at least two years.

12 (b) To be eligible to serve as a director representing a
13 director precinct or to be listed on a ballot as a candidate for
14 director representing a director precinct under Section 8815.055,
15 in addition to satisfying the requirements under Subsection (a), an
16 individual must own land or be a qualified voter within the director
17 precinct.

18 (c) A director serves until the director's successor has
19 qualified.

20 Sec. 8815.053. DISQUALIFICATION OF DIRECTORS. The common
21 law doctrine of incompatibility does not disqualify an official or
22 employee of a public entity from serving as a director.
23 Notwithstanding any other law, a director may participate in all
24 votes and decisions pertaining to the business of the authority
25 except that a director who is also an officer or employee of a
26 public entity may not participate in the discussion of or vote on a
27 matter regarding a contract with that public entity.

1 Sec. 8815.054. SINGLE-MEMBER DIRECTOR PRECINCTS. (a) The
2 authority is divided into three single-member director precincts as
3 follows:

4 (1) Director Precinct No. 1 includes the territory
5 that is contained in the following member districts: Harris County
6 Municipal Utility District No. 33, Fallbrook Utility District,
7 Rankin Road West Municipal Utility District, and Harris County
8 Municipal Utility District No. 215.

9 (2) Director Precinct No. 2 includes the territory
10 that is contained in the following member districts: Harris County
11 Municipal Utility District No. 150, Harris County Municipal Utility
12 District No. 217, and Harris County Municipal Utility District No.
13 304.

14 (3) Director Precinct No. 3 includes the territory
15 that is contained in the following member districts: Harris County
16 Municipal Utility District No. 200, Harris County Municipal Utility
17 District No. 205, Harris County Municipal Utility District No. 399,
18 and Harris County Utility District No. 16.

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

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

23 (2) by a resolution redrawing the director precincts
24 adopted by a majority of the board based on changed circumstances.

25 Sec. 8815.055. METHOD OF APPOINTMENT OF DIRECTORS. (a) One
26 director is appointed from each of the three director precincts and
27 two directors are appointed at large. Two directors from director

1 precincts and one director at large shall be appointed in the first
2 even-numbered year after the authority is created, and one director
3 from a director precinct and one director at large shall be
4 appointed in the next even-numbered year after the authority is
5 created. Each subsequent even-numbered year, the appropriate
6 number of directors shall be appointed.

7 (b) In the appropriate even-numbered year, the governing
8 bodies of the member districts located within a director precinct
9 jointly shall appoint one director to represent the precinct by a
10 vote conducted as provided by this section. Each even-numbered
11 year, the governing bodies of each member district shall appoint
12 one director for an at-large position by a vote conducted as
13 provided by this section.

14 (c) If a member district is located within two or more
15 director precincts, the member district is considered, for purposes
16 of this subchapter, to be located only within the director precinct
17 in which the greatest amount of territory of the member district is
18 located.

19 (d) For the appointment of a director for a director
20 precinct, the board shall determine the number of votes each member
21 district may cast. The number of votes for a governing body of a
22 member district within the precinct is equal to the number computed
23 by dividing the total number of units of water, as determined by the
24 board, used within the member district during the calendar year
25 preceding the year in which the director is selected by the total
26 number of units of water used by all member districts in the
27 precinct, multiplying that quotient by 100, and rounding that

1 result to the nearest one-tenth. The board shall provide the
2 presiding officer of each governing body of a member district
3 within each director precinct written notice of the number of votes
4 computed for that governing body to cast.

5 (e) For the appointment of a director for an at-large
6 position, the board shall determine the number of votes each member
7 district may cast. The number of votes for a governing body of a
8 member district is equal to the number computed by dividing the
9 total number of units of water, as determined by the board, used
10 within the member district during the calendar year preceding the
11 year in which the director is selected by the total number of units
12 of water used by all member districts in the authority, multiplying
13 that quotient by 100, and rounding that result to the nearest
14 one-tenth. The board shall provide the presiding officer of each
15 governing body of a member district written notice of the number of
16 votes computed for that governing body to cast.

17 (f) For purposes of Subsections (d) and (e), the board shall
18 determine the amount of water usage of all member districts within
19 each director precinct.

20 (g) In the appropriate even-numbered year, the governing
21 body of each member district in a director precinct by resolution
22 may nominate one candidate for the position of director for that
23 director precinct. Each member district shall submit the name of
24 its candidate, if any, to the presiding officer of the authority by
25 February 15 of that year. If by February 15 of that year only one
26 candidate's name is submitted for the position of director for a
27 director precinct, the board may declare the unopposed candidate

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

11 (h) The governing body of each member district in the
12 authority by resolution may nominate one candidate for the at-large
13 director position. Each member district shall submit the name of
14 its candidate, if any, to the presiding officer of the authority by
15 February 15 of each even-numbered year. If by February 15 of that
16 year only one candidate's name is submitted for the at-large
17 director position, the board may declare the unopposed candidate
18 elected and may cancel the director appointment procedures
19 generally required by this section for that position. If more than
20 one candidate's name is submitted for the at-large director
21 position, before March 15 of that year, the board shall prepare a
22 ballot listing all of the candidates for the at-large director
23 position and shall provide a copy of the ballot to the presiding
24 officer of the governing body of each member district.

25 (i) An individual may not be listed as a candidate on the
26 ballot for more than one director position. If a candidate is
27 nominated for more than one director position, the candidate must

1 choose to be on the ballot for only one director position.

2 (j) The governing body of each member district shall
3 determine its votes for director by resolution and submit them to
4 the presiding officer of the authority before May 1 of each
5 even-numbered year. In casting its votes for director, the
6 governing body of each member district may vote for only one
7 candidate on the ballot for the director precinct in which the
8 member district is located and for one candidate on the at-large
9 position ballot. For each director precinct from which a director
10 is being appointed, the board shall count the votes, declare
11 elected the candidate who received the greatest number of votes
12 from member districts located within that director precinct, and
13 submit the results before May 15 of that year to the governing body
14 of each member district within that director precinct. For the
15 at-large position, the board shall count the votes, declare elected
16 the candidate who received the greatest number of votes, and submit
17 the results before May 15 of that year to the governing body of each
18 member district.

19 (k) The board may adopt rules regarding:

20 (1) the manner and timing of determinations and
21 computations required by this section;

22 (2) the reporting of water usage to the authority by
23 member districts; and

24 (3) the conduct and process of the appointment of
25 directors.

26 Sec. 8815.056. VACANCY IN OFFICE OF DIRECTOR. A vacancy in
27 the office of director for a director precinct shall be filled by

1 appointment by the governing bodies of the member districts that
2 are located within the director precinct for which the vacancy
3 occurred. A vacancy in the office of director for an at-large
4 position shall be filled by appointment by the governing bodies of
5 all of the member districts. The appointment process shall follow
6 the procedures of Section 8815.055. The board may establish dates
7 different from those specified by Sections 8815.055(g) and (h), but
8 the date for the board's submission of the voting results to each
9 member district may not be later than the 120th day after the date
10 the vacancy occurs.

11 Sec. 8815.057. MEETINGS AND ACTIONS OF BOARD. (a) The
12 board may meet as many times each year as the board considers
13 appropriate.

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

17 (c) Directors may receive fees of office and reimbursement
18 of expenses as provided by Section 49.060, Water Code.

19 Sec. 8815.058. GENERAL MANAGER. (a) The board may employ a
20 general manager of the authority or contract with a person to
21 perform the duties of a general manager. The board may delegate to
22 the general manager full authority to manage and operate the
23 affairs of the authority subject only to orders of the board.

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

1 manager.

2 [Sections 8815.059-8815.100 reserved for expansion]

3 SUBCHAPTER C. POWERS AND DUTIES

4 Sec. 8815.101. GENERAL POWERS AND DUTIES. (a) The
5 authority may:

6 (1) provide for the conservation, preservation,
7 protection, recharge, and prevention of waste of groundwater, and
8 for the reduction of groundwater withdrawals as necessary to
9 develop, implement, or enforce a groundwater reduction plan, in a
10 manner consistent with the purposes of Section 59, Article XVI,
11 Texas Constitution, and facilitate compliance with subsidence
12 district rules, orders, regulations, or requirements;

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

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

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

27 (5) administer and enforce this chapter.

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

3 (c) The authority has all the rights, powers, privileges,
4 authority, functions, and duties necessary and convenient to
5 accomplish the purposes of this chapter.

6 (d) The authority's rights, powers, privileges, authority,
7 functions, and duties are subject to the continuing right of
8 supervision of the state, to be exercised by and through the
9 commission.

10 Sec. 8815.102. AUTHORITY RULES. The authority may adopt
11 and enforce rules reasonably required to implement this chapter,
12 including rules governing procedures before the board and rules
13 regarding implementation, enforcement, and any other matters
14 related to the authority's water supply or groundwater reduction
15 plan.

16 Sec. 8815.103. FEES, USER FEES, RATES, AND CHARGES. (a)
17 The authority may establish fees, user fees, rates, and charges and
18 classifications of payers of fees and rates as necessary to enable
19 the authority to fulfill the authority's purposes and regulatory
20 functions provided by this chapter. The authority may impose fees,
21 user fees, rates, and charges on any person within the authority.

22 (b) The authority may charge the owner of a well located
23 within the authority's boundaries a fee or user fee according to the
24 amount of water pumped from the well.

25 (c) The board shall make reasonable efforts to send member
26 districts written notice of the date, time, and location of the
27 meeting at which the board intends to adopt a proposed charge under

1 Subsection (b) and the amount of the proposed charge. The board's
2 failure to comply with this subsection does not invalidate a charge
3 adopted by the board under Subsection (b).

4 (d) The board shall exempt from the charge under Subsection
5 (b) classes of wells that are not subject to any groundwater
6 reduction requirement imposed by the subsidence district. If any
7 of those classes of wells become subject to a groundwater reduction
8 requirement imposed by the subsidence district, the authority may
9 impose the charge under Subsection (b) on those classes. The board
10 by rule may exempt any other classes of wells from the charge under
11 Subsection (b). The board may not apply the charge under Subsection
12 (b) to a well:

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

15 (2) regulated under Chapter 27, Water Code.

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

18 (1) achieve water conservation;

19 (2) prevent waste of water;

20 (3) serve as a disincentive to pumping groundwater;

21 (4) develop, implement, or enforce a groundwater
22 reduction plan;

23 (5) accomplish the purposes of this chapter, including
24 making available alternative water supplies;

25 (6) enable the authority to meet operation and
26 maintenance expenses;

27 (7) pay the principal of and interest on notes, bonds,

1 and other obligations issued in connection with the exercise of the
2 authority's general powers and duties; and

3 (8) satisfy all rate covenants relating to the
4 issuance of notes, bonds, and other obligations.

5 (f) The authority may charge rates established by the
6 authority for water purchased from the authority.

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

10 Sec. 8815.104. PURCHASE OF WATER FROM ANOTHER ENTITY. (a)
11 If the authority purchases water from another entity for resale to
12 local governments, the authority shall use its best efforts in
13 negotiating with the entity to determine the amount of capital
14 costs included in any rates or charges paid by the authority. The
15 authority shall determine the amount of expected capital costs of
16 its own system.

17 (b) The authority shall provide each member district
18 information regarding the share of the capital costs to be paid by
19 the member district, as determined by the authority, and shall
20 provide each member district the opportunity, in a manner and by a
21 procedure determined by the authority, to fund its share of the
22 capital costs with proceeds from the sale of bonds or fees and
23 charges collected by the member districts. A member district may
24 use any lawful source of revenue, including bond funds, to pay any
25 sums due to the authority.

26 Sec. 8815.105. ASSESSMENTS. (a) The board may undertake
27 improvement projects and services that confer a special benefit on

1 all or a definable part of the authority. The board may impose
2 special assessments on property in that area, including property of
3 a local government, based on the benefit conferred by the
4 improvement project or services, to pay all or part of the cost of
5 the project and services. The board may provide improvements and
6 services to an area outside the boundaries of the authority if the
7 board determines that there is a benefit to the authority. The
8 authority may finance with special assessments any improvement
9 project or service authorized by this chapter or any other
10 applicable law.

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

15 (c) The board shall publish notice of the hearing in a
16 newspaper or newspapers with general circulation in Harris County.
17 The publication must be made not later than the 30th day before the
18 date of the hearing.

19 (d) Notice provided under this section must include:

20 (1) the time and place of the hearing;

21 (2) the general nature of the proposed improvement
22 project or services;

23 (3) the estimated cost of the improvement, including
24 interest during construction and associated financing costs; and

25 (4) the proposed method of assessment.

26 (e) Written notice containing the information required by
27 Subsection (d) shall be mailed by certified mail, return receipt

1 requested, not later than the 30th day before the date of the
2 hearing. The notice shall be mailed to each member district. The
3 subsidence district shall provide to the authority a list of the
4 member districts that hold a well permit issued by the subsidence
5 district.

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

17 (g) At a hearing on proposed assessments, on adjournment of
18 the hearing, or after consideration of the hearings examiner's
19 report, the board shall hear and rule on all objections to each
20 proposed assessment. The board may amend proposed assessments for
21 any property. After the board hears and takes action on those
22 objections, the board, by order:

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

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

27 (3) may provide that those assessments, including

1 interest, be paid in periodic installments.

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

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

16 (j) The board shall apportion the cost of an improvement
17 project or services to be assessed against the property in the
18 authority according to the special benefits that accrue to the
19 property because of the improvement project or services. The board
20 may assess the cost only according to the number of gallons of
21 groundwater pumped from wells within the authority that are subject
22 to a groundwater reduction requirement imposed by the subsidence
23 district. The board may not assess the cost according to
24 groundwater pumped from:

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

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

1 (k) The area of the authority to be assessed according to
2 the findings of the board may be the entire authority or any part of
3 the authority and may be less than the area proposed in the notice
4 of the hearing.

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

9 (m) Notwithstanding Subsection (l), the owner of land
10 annexed to the authority after the authority has imposed
11 assessments may waive the right to notice and an assessment hearing
12 and may agree to the imposition and payment of assessments at an
13 agreed rate for land annexed to the authority. A member district
14 may waive the right to notice and an assessment hearing for land
15 within its boundaries annexed to the authority and may agree to the
16 imposition and payment of assessments at an agreed rate for the
17 annexed land.

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

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

23 (2) open for public inspection.

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

27 (1) relating to the total cost of the improvement

1 project or services; or

2 (2) covering delinquencies or costs of collection.

3 Sec. 8815.106. INTEREST AND PENALTIES. The board may
4 require the payment of interest on any late or unpaid fees, user
5 fees, rates, charges, and special assessments due the authority,
6 but the interest rate may not exceed the interest rate permitted by
7 Section 2251.025; Government Code. The board may also impose
8 penalties for the failure to make a complete or timely payment to
9 the authority. In addition, the board may exclude a member district
10 or other person, or any territory or well owned or controlled by a
11 member district or other person, from the authority's groundwater
12 reduction plan for failure to make a complete or timely payment to
13 the authority.

14 Sec. 8815.107. ADMINISTRATIVE PENALTY; INJUNCTION. (a) A
15 person who violates a rule or order of the authority is subject to
16 an administrative penalty of not more than \$5,000, as determined by
17 the board, for each violation or each day of a continuing violation.
18 The person shall pay the penalty to the authority.

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

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

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

3 Sec. 8815.108. WATER SUPPLY OR DROUGHT CONTINGENCY PLANS.
4 The authority by rule may develop, prepare, revise, adopt,
5 implement, enforce, and manage comprehensive water supply or
6 drought contingency plans for the authority, or any portion of the
7 authority.

8 Sec. 8815.109. GROUNDWATER REDUCTION PLAN. (a)
9 Notwithstanding any other law, regardless of whether the authority
10 enters into contracts with local governments located within its
11 boundaries, and regardless of whether the authority holds any well
12 permit issued by the subsidence district under Chapter 8801, the
13 authority by rule may wholly or partly develop, prepare, revise,
14 adopt, implement, enforce, manage, or participate in a groundwater
15 reduction plan that is applicable only to the authority or a
16 groundwater reduction plan that is applicable to the authority and
17 one or more persons outside the authority. The authority may
18 require that any groundwater reduction plan that the authority
19 wholly or partly develops, prepares, revises, adopts, implements,
20 enforces, or manages or in which the authority participates be the
21 exclusive groundwater reduction plan that is binding and mandatory
22 on some or all of the territory, member districts or other persons,
23 or wells located within the authority. A groundwater reduction
24 plan may:

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

27 (2) identify alternative sources of water to be

1 provided to those affected;

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

5 (4) specify the dates and extent to which member
6 districts or other persons within the authority's boundaries shall
7 reduce or cease reliance on groundwater and accept water from
8 alternative sources;

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

11 (6) exceed the minimum requirements imposed by the
12 subsidence district, including any applicable groundwater
13 reduction requirements; and

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

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

21 Sec. 8815.110. ACQUISITION, CONSTRUCTION, AND OPERATION OF
22 SYSTEMS. (a) The authority may:

23 (1) acquire by purchase, gift, lease, contract, or any
24 other legal means a water treatment or supply system, or any other
25 works, plants, improvements, or facilities necessary or convenient
26 to accomplish the purposes of the authority, or any interest of the
27 authority, inside or outside the authority's boundaries;

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

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

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

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

14 (b) Except as otherwise provided by this chapter, the
15 provisions of Chapter 49, Water Code, pertaining to competitive
16 bidding apply to the authority.

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

20 (1) to allow the person to be included in a groundwater
21 reduction plan adopted or implemented wholly or partly by the
22 authority or in a groundwater reduction plan in which the authority
23 participates;

24 (2) to sell water to the person; or

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

1 (d) The authority by rule may require that the plans and
2 specifications of water lines to be constructed within the
3 authority that are designed or intended to serve more than one
4 member district or more than one person owning or holding a well
5 permit issued by the subsidence district be approved by the
6 authority before the commencement of construction of the water
7 lines.

8 Sec. 8815.111. SALE OR REUSE OF WATER OR BY-PRODUCT. The
9 authority may store, sell, or reuse:

10 (1) water; or

11 (2) any by-product from the authority's operations.

12 Sec. 8815.112. CONTRACTS. (a) The authority may enter into
13 a contract with a person for the performance of a purpose or
14 function of the authority, including a contract to design,
15 construct, finance, lease, own, manage, operate, or maintain works,
16 improvements, facilities, plants, equipment, or appliances
17 necessary to accomplish a purpose or function of the authority. A
18 contract may be of unlimited duration.

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

22 (c) The authority may contract for:

23 (1) the purchase, sale, or lease of water or water
24 rights;

25 (2) the performance of activities within the powers of
26 the authority through the purchase, construction, or installation
27 of works, improvements, facilities, plants, equipment, or

1 appliances; or

2 (3) the design, construction, ownership, management,
3 maintenance, or operation of any works, improvements, facilities,
4 plants, equipment, or appliances of the authority or another
5 person.

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

9 Sec. 8815.113. COOPERATION WITH AND ASSISTANCE OF OTHER
10 GOVERNMENTAL ENTITIES. (a) In implementing this chapter, the
11 board may cooperate with and request the assistance of the Texas
12 Water Development Board, the commission, the United States
13 Geological Survey, the subsidence district, other local
14 governments, and other agencies of the United States and this
15 state.

16 (b) The subsidence district may enter into an interlocal
17 contract with the authority to carry out the authority's purposes
18 and may carry out the governmental functions and services specified
19 in the interlocal contract.

20 (c) The board shall endeavor to coordinate with the City of
21 Houston to develop a plan for a system to distribute surface water
22 in an economical and efficient manner to the authority.

23 (d) In an attempt to minimize costs associated with
24 preparing a groundwater reduction plan, the board shall consider
25 the usefulness of water supply studies and plans prepared by or on
26 behalf of the North Harris County Regional Water Authority, the
27 West Harris County Regional Water Authority, the City of Houston,

1 or other governmental entities to the extent those studies or plans
2 are available and applicable to the authority.

3 Sec. 8815.114. GIFTS AND GRANTS. The authority may accept a
4 gift or grant from money collected by the subsidence district under
5 Chapter 8801 to fund the construction, maintenance, or operation of
6 a water treatment or supply system.

7 Sec. 8815.115. EXPENDITURES. (a) The authority's money
8 may be disbursed only by check, draft, order, federal reserve wire
9 system, or other instrument or authorization.

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

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

21 Sec. 8815.116. AD VALOREM TAXATION. The authority may not
22 impose an ad valorem tax.

23 Sec. 8815.117. EMINENT DOMAIN. (a) The authority may
24 acquire by condemnation any land, easements, or other property
25 inside the authority's boundaries to further authorized purposes,
26 powers, or duties of the authority. The authority may acquire by
27 condemnation any land, easements, or other property outside the

1 authority's boundaries for the purpose of pumping, storing,
2 treating, or transporting water. When exercising the power of
3 eminent domain granted by this section, the authority may elect to
4 condemn either the fee simple title or a lesser property interest.

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

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

14 (d) The authority may not use the power of eminent domain
15 for the condemnation of property that is:

16 (1) owned by the City of Houston or any
17 instrumentality of the City of Houston, including a local
18 government corporation created under Chapter 431, Transportation
19 Code, to aid or act on behalf of the City of Houston; or

20 (2) located within the municipal limits of the City of
21 Houston.

22 (e) Notwithstanding Subsection (d)(2), and as limited by
23 Subsection (a), the authority may use the power of eminent domain to
24 acquire property that is not owned by the City of Houston that is
25 within the municipal limits of the City of Houston if:

26 (1) the property is located in an area of the
27 municipality that is less than 1,000 feet wide at its narrowest

1 point; or

2 (2) the municipality grants permission for the
3 condemnation.

4 Sec. 8815.118. CONSENT REQUIRED FOR SERVICE OUTSIDE OF
5 AUTHORITY. (a) Notwithstanding any contrary provision of this
6 subchapter, the authority must obtain the consent of the City of
7 Houston before providing water service to any person or territory
8 outside the boundaries of the authority.

9 (b) Subsection (a) does not apply to a person or territory
10 that receives water service or has contracted to receive water
11 service from a member district on the effective date of the Act
12 creating this chapter.

13 [Sections 8815.119-8815.150 reserved for expansion]

14 SUBCHAPTER D. BONDS AND NOTES

15 Sec. 8815.151. REVENUE BONDS AND NOTES. (a) The authority
16 may issue bonds or notes payable solely from revenue from any
17 source, including:

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

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

24 (3) grants or gifts;

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

1 (5) contracts between the authority and any person.

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

4 (c) In connection with any bonds or notes of the authority,
5 the authority may exercise any power of an issuer under Chapter
6 1371, Government Code.

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

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

11 (f) The authority may issue bonds or notes in more than one
12 series as necessary to carry out the purposes of this chapter. In
13 issuing bonds or notes secured by revenue of the authority, the
14 authority may reserve the right to issue additional bonds or notes
15 secured by the authority's revenue that are on a parity with or are
16 senior or subordinate to the bonds or notes issued earlier.

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

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

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

27 SECTION 2. (a) The proper and legal notice of the intention

1 to introduce this Act, setting out the general substance of this
2 Act, has been published as provided by law, and the notice and a
3 copy of this Act have been furnished to all persons, agencies,
4 officials, or entities to which they are required to be furnished by
5 the constitution and other laws of this state, including the
6 governor, who has submitted the notice and this Act to the
7 commission.

8 (b) The commission has filed its recommendations relating
9 to this Act with the governor, lieutenant governor, and speaker of
10 the house of representatives within the required time.

11 (c) All requirements of the constitution and laws of this
12 state and the rules and procedures of the legislature with respect
13 to notice, introduction, and passage of this Act are fulfilled and
14 accomplished.

15 SECTION 3. This Act takes effect immediately if it receives
16 a vote of two-thirds of all the members elected to each house, as
17 provided by Section 39, Article III, Texas Constitution. If this
18 Act does not receive the vote necessary for immediate effect, this
19 Act takes effect September 1, 2005.

David Dewhurst

President of the Senate

Tom Craddick

Speaker of the House

I certify that H.B. No. 3181 was passed by the House on May 10, 2005, by the following vote: Yeas 147, Nays 0, 2 present, not voting.

Robert Haney
Chief Clerk of the House

I certify that H.B. No. 3181 was passed by the Senate on May 25, 2005, by the following vote: Yeas 31, Nays 0.

Latrey Spaw
Secretary of the Senate

APPROVED: 17 JUNE '05

Date

RICK PERRY
Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
11:20 AM '05

Roger Williams
Secretary of State

General Information

County: Harris

Name of Entity: Central Harris Co Regional WA

System Contact Physical Address

Address 1: 1300 Post Oak Boulevard Ste 1400

Address 2: Suite 1400

City: Houston

State: TX

Zip: 77056-3078

Phone: (713) 623-4531

Fax: (713) 623-6143

Website: www.chcrwa.com

System Contact Mailing Address

Address 1: c/o Schwartz Page & Harding

Address 2: 1300 Post Oak Boulevard Suite 1400

City: Houston

State: TX

Zip: 77056-3078

Description

Brief description of the project: Northeast Water Purification Plant Expansion

Officers/Members

Applicant's Officers and Members

Margaret L. Cox

President

Julian F. Boddy

Vice President

David Granadino

Secretary

Tom Gower
Assistant Secretary

Richard C. Meek
Assistant Secretary

Primary Contact

Name: Abraham I. Rubinsky
Title: Attorney
Address 1: 1300 Post Oak Blvd
Address 2: Suite 1400
City: Houston
State: TX
Zip: 77056-3078
Phone: (713) 623-4531
Fax: (713) 623-6143
Email: arubinsky@sphllp.com

Applicant's Contributors

Contributor Type	Firm Name	Contact Name	Address	Phone	Fax	Email
Applicant Engineer	IDS Engineering Group, Inc.	Marcel Khouw	13430 Northwest Freeway, Suite 700 Houston TX 77040-6091	713-462-3178	713-462-1631	mkhouw@idseg.com
Bond Counsel	Schwartz, Page & Harding, L.L.P.	Abraham I. Rubinsky	1300 Post Oak Blvd., Suite 1400 Houston TX 77056-3078	713-623-4561	713-623-6143	arubinsky@sphllp.com
Financial Advisor	The GMS Group, LLC	John F. Howell	5075 Westheimer Rd, Suite 1175 Houston TX 77056-5678	713-626-3552	713-626-3347	jhowell@gmsgroup.com
Certified Public Accountant (or other appropriate rep)	F. Matuska, Inc.	Fran Matuska	4600 Highway 6, Suite 315 Houston TX 77084-2884	281-859-8779	281-859-8556	fmataska@att.net
Legal Counsel	Schwartz, Page & Harding, L.L.P.	Abraham I. Rubinsky	1300 Post Oak Blvd., Suite 1400 Houston TX 77056-3078	713-623-4561	713-623-6143	arubinsky@sphllp.com

Any other Contributor representing the Applicant before the board						
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Contributor Contracts (documents follow this page)

879918

Engineering

879919

Bond Counsel

879920

Financial Advisor

879921

Bookkeeper

879922

Legal Counsel

Corporations Section
P.O. Box 13697
Austin, Texas 78711-3697



Hope Andrade
Secretary of State

Office of the Secretary of State

CERTIFICATE OF FILING
OF

IDS Engineering Group, Inc.
69200700

[formerly: PATE ENGINEERS, INC.]

The undersigned, as Secretary of State of Texas, hereby certifies that a Certificate of Amendment for the above named entity has been received in this office and has been found to conform to the applicable provisions of law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the secretary by law, hereby issues this certificate evidencing filing effective on the date shown below.

Dated: 07/03/2012

Effective: 07/03/2012



A handwritten signature in black ink, appearing to read "Hope Andrade".

Hope Andrade
Secretary of State

Request for Taxpayer Identification Number and Certification

Give Form to the
requester. Do not
send to the IRS.

Print or type See Specific Instructions on page 2.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank. IDS Engineering Group, Inc	
	2 Business name/disregarded entity name, if different from above	
	3 Check appropriate box for federal tax classification; check only one of the following seven boxes: <input type="checkbox"/> Individual/sole proprietor or single-member LLC <input checked="" type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) _____ Note. For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner. <input type="checkbox"/> Other (see instructions) ▶	
	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) 5 Exemption from FATCA reporting code (if any) _____ <i>(Applies to accounts maintained outside the U.S.)</i>	
	5 Address (number, street, and apt. or suite no.) 13430 Northwest Freeway, Suite 700	Requester's name and address (optional)
	6 City, state, and ZIP code Houston, Texas 77040	
	7 List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

Social security number	
[] [] [] - [] [] - [] [] [] []	
OR	
Employer identification number	
7 6 - 0 0 9 1 7 7 6	

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here Signature of U.S. person ▶ *Megun M Capante* Date ▶ *2/24/16*

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.
Future developments. Information about developments affecting Form W-9 (such as legislation enacted after we release it) is at www.irs.gov/fw9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)

- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See *What is backup withholding?* on page 2.

By signing the filled-out form, you:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
- Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting?* on page 2 for further information.

**AGREEMENT
FOR
ENGINEERING SERVICES**

MADE AND ENTERED INTO by and between CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY hereinafter called the "Authority", and PATE ENGINEERS, INC., hereinafter called the "Engineer".

RECITALS

The Authority owns, operates and maintains a water supply system to serve the area within the Authority. The Authority may from time to time require the services of the Engineer which may be generally categorized as follows:

- A. General engineering consultation regarding the administration, operation, and maintenance of Authority facilities generally provided through attendance and reporting at the regularly scheduled Authority meetings.
- B. Special Assignments which may include a broad variety of services, reports, and studies, including permit renewals, bond issue application reports, water and sewer rate studies, minor facility repairs, surveys, etc.
- C. Construction of new Authority facilities, or extensions or expansions to existing Authority facilities, which are hereinafter referred to individually and collectively as "Construction Project".

SECTION I

EMPLOYMENT OF THE ENGINEER

The Authority agrees to employ the Engineer and the Engineer agrees to perform professional engineering and surveying services as from time to time specifically authorized by the Authority, and for having rendered such services, the Authority agrees to pay the Engineer compensation as specifically agreed for the proposed services.

SECTION II

AUTHORIZATION OF SERVICES

No professional services of any nature shall be undertaken by the Engineer under this Agreement until he has received written authorization from the Authority, or receives verbal authorization in a meeting of the Authority's Board of Directors ("Board"), in which the following elements are specified:

- A. The nature of the particular assignment.
- B. The scope of services to be performed.
- C. The method and amount of compensation for the proposed services.

SECTION III

CHARACTER AND EXTENT OF SERVICES FOR GENERAL ENGINEERING CONSULTATION AND SPECIAL ASSIGNMENTS

This section describes those services which may be categorized as general engineering consultation or special assignments.

A. GENERAL ENGINEERING CONSULTATION SERVICES

These services, which are generally required more or less regularly, may include one or more of the following as directed by the Board:

1. Attend Authority Board meetings.
2. Present oral or written reports to the board summarizing status of engineering assignments and related engineering issues.
3. Prepare letters of inquiry or response as directed by the Board to landowners, governmental agencies, Authority customers, and others.
4. Perform site visits to investigate specific problems with the Authority's water system, as requested by the Board.
5. Assist the Authority's operator, as required, to troubleshoot operational problems, specify materials or equipment for minor repairs, and to respond to regulatory inspections.
6. Maintain accounting of system capacity commitments.

7. Maintain the Authority's engineering records, including maps, surveys, construction plans and specifications, construction contract documents, engineering reports and exhibits, to be filed at the office of the Engineer.

B. SPECIAL ASSIGNMENTS SERVICES

These services, which typically are required from time to time, may include one or more of the following:

1. Preparation of permit applications and associated reports, as required, for water wells and other environmental activities.
2. Preparation of engineering reports to accompany the Authority's application for bond issues, use of surplus funds, escrow releases, or standby fees.
3. Design, bidding, and construction phase services for minor repair and improvement projects not handled by the Authority's operator, such as but not limited to water line repair. The Contractor's responsibility for work quality, contract document conformance, and safety shall be in accordance with Section IV(C) of this agreement. The services performed during construction will generally follow those outlined in Section IV (C) of this agreement.
4. Investigation and recommendations for rehabilitation or replacement of the Authority's existing water distribution system.
5. Analysis and development of water rate schedule.
6. Feasibility studies for the proposed annexation of land, or addition of new participants.
7. Appraisals, valuations, and material audits.
8. Surveying services to prepare easement descriptions, topographic surveys, etc.

The individual authorization required under Section II will define the specific scope of work and method of compensation.

SECTION IV

CHARACTER AND EXTENT OF SERVICES FOR CONSTRUCTION PROJECTS

This section shall establish the general character and extent of engineering and surveying services to be provided to the Authority by the Engineer for Construction Projects. The individual authorization required under Section II will define the specific scope of work and method of compensation.

A. PRELIMINARY PHASE

1. Attend preliminary conference with the Authority regarding the Construction Project.
2. Prepare a preliminary engineering study and report on the Construction Project in sufficient detail to indicate clearly the problems involved and the alternate solutions available to the Authority to include preliminary layouts, sketches and cost estimates for the Construction Project, and to set forth clearly the Engineer's recommendations. (This preliminary report will cover a specific construction project and is not the Engineer's Report required either for Authority creation and bond election or for subsequent bond issues.)
3. Furnish the Authority five (5) copies of the preliminary layouts, sketches and an engineering opinion of the probable cost of the recommended Construction Project.

B. DESIGN PHASE

1. Establish the scope, and advise the Authority, of any soil and foundation investigations or any special surveys or special testing which, in the opinion of the Engineer, may be required for the proper execution of the Construction Project, and arrange with the Authority for the conduct of such investigations and tests by qualified subconsultants.
2. Perform field surveys to collect information which, in the opinion of the Engineer, is required in the design of the Construction Project.
3. Prepare detailed construction plans and technical specifications for the Construction Project authorized by the Authority. These designs shall combine the application of sound engineering principles with a high degree of economy.
4. Submit construction plans for governmental agency reviews and approvals as required for each Construction Project.
5. Prepare an engineering opinion of the probable construction cost shall include summaries of bid items and quantities and will be based, where appropriate, on the

unit price system of bidding. Engineer's opinions (or estimates) of probable construction cost provided under this agreement are to be made on the basis of Engineer's experience and qualifications and represent Engineer's best judgment as an experienced and qualified professional engineer generally familiar with the construction industry. However, since Engineer has no control over the cost of labor, materials, equipment or services furnished by others, or over the contractor's methods of determining prices, or over competitive bidding or market conditions, Engineer cannot and does not guarantee that proposals, bids or actual construction cost will not vary from opinions of probable construction cost prepared by Engineer.

6. Furnish the Authority five (5) copies of approved construction plans, specifications, notices to bidders and proposals.

C. CONSTRUCTION PHASE:

1. Prepare bid documents and coordinate the advertisement of the Construction Project for public competitive bids.
2. Assist the Authority in the opening and tabulation of bids for Construction Project, and recommend action to the Authority on the proposals received.
3. Prepare formal contract documents between the Authority and the contractor.
4. Make periodic visits to the site (as distinguished from the services of a Resident Project Representative, or Construction Observer, described in Subparagraph 6 below) to observe the progress and quality of the executed work and to determine in general if the work is proceeding in accordance with the contract documents. In performing this service, the Engineer will not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the work or materials; he will not be responsible for the techniques and sequences of construction or the safety precautions incident thereto; and he will not be responsible or liable in any degree for the contractors' failure to perform the construction work in accordance with the contract documents. During visits to the construction site, and on the basis of the Engineer's on-site observations as an experienced and qualified design professional, he will keep the Authority informed of the extent of the progress of the work, and advise the Authority of material and substantial defects and deficiencies in the work of contractors which are discovered by the Engineer or otherwise brought to the Engineer's attention in the course of construction, and may, on behalf of the Authority, exercise whatever rights the Authority may have to disapprove work and materials as failing to conform to the contract documents.
5. Communicate status of construction progress to Authority, advise Authority of issues known to the Engineer affecting construction quality or schedule, issue instructions to the contractor on behalf of the Authority, and prepare change orders as may be required.

6. Furnish the services of Resident Project Representatives (or Construction Observers), and other field personnel, as required, for on-the-site observation of construction. The authority and duties of such Resident Project Representatives are limited to examining the material furnished and observing the work done, and to reporting their findings to the Engineer. The Engineer will use the usual degree of care and prudent judgment in the selection of competent Resident Project Representatives, and the Engineer will use diligence to see that the Resident Project Representatives are on the job to perform their required duties. It is agreed, however, that the Engineer does not underwrite, guarantee or insure the work done by the contractors, and since it is the contractors' responsibility to perform the work in accordance with the contract documents, the Engineer is not responsible or liable for the contractor's failure to do so, and so long as the Engineer has exercised the usual degree of care, the prudent judgment in selecting Resident Project Representatives and has used diligence to see that they are on the job to perform the work, failure by any Resident Project Representatives or other personnel engaged in on-the-site observation to discover defects or deficiencies in the work of the contractors shall never relieve the contractors liability, or subject the Engineer to any liability, for any such defect or deficiency in materials or workmanship. The contractor is solely responsible for means and methods to be used and the safety of its employees and all other persons on the job site.
7. During the course of performing the services described above in subparagraphs 4 and 6, the Engineer agrees that if he observes and recognizes a condition at the site which constitutes an immediate peril, he will report such condition to the Authority. The contractor is solely responsible for the implementation and monitoring of the job site safety program, and any reporting by the Engineer of observed conditions of immediate peril shall not create a continuing duty to monitor and report on the contractor's means and methods to provide a safe site.
8. Review samples, catalog data, schedules, shop drawings, laboratory, shop and mill tests of material and equipment, and other data which the contractor is required to submit, only for conformance with the design concept of the Construction Project and compliance with the information given by the Contract Documents; and assemble written guarantees which are required by the Contract Documents. Review by the Engineer of shop drawings shall in no way be construed as an approval of the means and methods of construction to be used by the Contractor. The Contractor is solely responsible for means and methods to be used and the safety of its employees and all other persons on the job site.
9. Prepare or review monthly and final estimates for payments to contractors, and obtain for the Authority certifications as to payments to sub-contractors and suppliers.
10. Conduct, on behalf of the Authority, a final inspection of the construction project for conformance with the design concept of the construction project and compliance with

the contract documents, and approve in writing final payment to the contractor.

11. Revise contract drawings, with the assistance of the Resident Project Representatives, if any, to show the work as actually constructed. Furnish a set of prints of these revised drawings to the Authority.

SECTION V

PERIOD OF SERVICE

This agreement shall be effective upon execution by the Authority and the Engineer, and shall remain in force until terminated under the provisions hereinafter provided in Section X. Further, this agreement shall be deemed to supersede and replace the prior Agreement for Engineering Services between the parties executed as of September 14, 2005. The Agreement is hereby reached and ??? effective as of the effective date hereof.

SECTION VI

COORDINATION WITH THE Authority

The Engineer shall hold periodic conferences with the Authority, or its representatives, to the end that the construction project, as perfected, shall have full benefit of the Authority's experience and knowledge of existing needs and facilities, and be consistent with its current policies and construction standards. To implement this coordination, the Authority shall make available to the Engineer, for use in planning the project, all existing plans, maps, field notes, statistics, computations and other data in its possession relative to existing facilities to the construction project.

SECTION VII

THE ENGINEER'S COMPENSATION

For and in consideration of the services to be rendered by the Engineer, the Authority shall pay and the Engineer shall receive the compensation as hereinafter set forth for General Engineering Consultation; Special Assignments; and the Preliminary, Design, and Construction Phases of Construction Projects. All remittances by Authority of such compensation shall either be mailed or delivered to Engineer's office in City of Houston, Texas within thirty (30) days of invoice date.

Should the Authority fail to make payment to the Engineer of the sum named in the partial or final statement when payment is past due by more than thirty days, then the Authority shall pay the Engineer, in addition to the sum shown as due by such statement, interest thereon at the rate of prime rate plus one (1) percentage point per annum from the date due, as provided herein, until fully paid, which shall fully liquidate any injury to the Engineer arising from such delay in payment, but the

right is expressly reserved to the Engineer in event payments are not promptly made as provided herein, at any time thereafter to treat the Agreement as terminated by the Authority and recover compensation as provided by Section X of this Agreement. Notwithstanding anything to the contrary herein, the Engineer understands that all or a portion of the funds for the payment of engineering fees will be taken from the proceeds of bonds approved, issued and sold by the Authority. The Engineer agrees that no statement for services shall become past due until the Authority has either sold bonds specifically designated for the billed services and has received the bond funds therefor, or has made other arrangements for funding to pay the Engineer.

A. GENERAL ENGINEERING CONSULTATION SERVICES

The Engineer's compensation for General Engineering Consultation Services will be established on a time and materials basis. Such services will be billed monthly at the then current actual labor cost of individual firm members times a multiplier of 2.3. "Labor cost" is defined as the cost of salaries paid to the Engineer's personnel for time directly chargeable to the project, plus associated salary costs including social security (FICA) contributions, federal unemployment insurance, state unemployment insurance, workman's compensation insurance, and medical insurance benefits. Exhibit "A" provides the typical range of hourly engineering fees for various staff categories, which may be adjusted annually based on current salary structure. Surveying services will be billed monthly based on the firm's surveying billing rate schedule provided as Exhibit "B", which may be adjusted annually based on current salary structure. A notice of increase will be provided to the Authority. In addition, reimbursement for certain direct non-labor expenses (including but not limited to reproduction, deliveries, and governmental agency fees) and subcontract services and expenses will be billed monthly at the Engineer's cost.

B. SPECIAL ASSIGNMENT SERVICES

The Engineer's compensation for Special Assignment Services may be established on either a time and materials basis (as defined in Section VII.A.), or on a fixed fee basis (conditioned on a well defined, mutually agreed scope of work); at the time the Authority authorizes the Engineer to perform the assignment. For a fixed fee basis, services will be billed monthly based on the percent completion of the scope of work as evidenced by monthly statements submitted by the Engineer. In addition to the fixed fee for professional services, certain out-of-pocket expenses, including but not limited to reproduction, deliveries, and government agencies fees, will be billed at the Engineer's cost.

C. CONSTRUCTION PROJECT SERVICES

The Engineer's compensation for the Preliminary Phase of a Construction Project shall be established on a time and materials basis (as defined in Section VII.A.) or a fixed fee basis (as defined in Section VII.B.), to be determined by mutual agreement at the time the Authority authorizes the Engineer to perform the assignment. The

Engineer's compensation for the Design and Construction Phases of a Construction Project shall be established on a time and materials basis (as defined in Section VII.A), fixed fee basis (defined in Section VII.B), or a percent of construction cost basis ("Basic Charge" as defined below), to be determined by mutual agreement at the time the Authority authorizes the Engineer to perform the assignment.

The remainder of this section describes in detail the percent of construction cost basis of compensation. The term Basic Charge applies solely to this method of compensation, and is equal to the compensation amount derived by multiplying the "construction cost", which is defined below, by a certain "percentage of construction" which is specified by Exhibit "C".

"Construction Cost" is defined as the total cost to the Authority for the execution of the work authorized in Section II, excluding fees or other costs for engineering and legal services, the cost of land, rights-of-way, legal and administrative expenses; but including the direct cost to the Authority of the construction contract, items of construction, including labor, materials and equipment required for the completed work (including change orders and extra work items) and the total value at site of the Construction Project of all labor, materials and equipment purchased or furnished directly by the Authority for the Construction Project. No reduction shall be made from the Basic Charge on account of penalties or liquidated damages or other sums withheld from Contractor's payments. The "Construction Cost" is defined separately for each individual construction contract for which bids are to be received.

In the event that proposals for construction of any of the work authorized in the Design Phase are received within 90 days after submission of completed contract drawings and specifications to the Authority by the Engineer, the charge for corresponding services in the Design and Preliminary Phases shall be subject to the following fees:

Phase I – Final Design The fee obtained by multiplying the Fee percentage x .85 by the Construction Cost, but never less than the Basic Charge x .85 x .95 nor greater than the Basic Charge x .85 x 1.05.

Phase III – Construction Services The fee obtained by multiplying the Basic Charge percentage x .15 by the Construction Cost, but never less than the Basic Charge x .15 x .95 nor greater than the Basic Charge x .15 x 1.05.

Where no proposal or bona fide bids are received, the Engineer's estimate of Construction Cost shall be the basis for final payment for these two phases.

1. DESIGN PHASE

Payment for services in the Design Phase shall be made to the Engineer in a sum equal to 85 percent of the Basic Charge, which Basic Charge is defined by Exhibit "C". The classification of the construction work (Curve A or B) for the purpose of applying the Basic Charge is that defined in Exhibit "C".

Partial payment for services in the Design Phase shall be made monthly in proportion to that part of the services in the Design Phase which has been accomplished, as evidenced by monthly statements submitted by the Engineer to the Authority. Final payment for services authorized in the Design Phase shall be due upon the completion of these services.

2. CONSTRUCTION PHASE

Payment for services in the Construction Phase shall be made to the Engineer in a sum equal to 15 percent of the Basic Charge, which Basic Charge is defined by Exhibit "C". The classification of the construction work (Curve A or B) for the purpose of applying the Basic Charge is that defined in Exhibit "C".

This sum will be paid in monthly installments in proportion to the construction work completed, on the basis of the Engineer's estimates prepared for monthly payments to contractors, plus the actual value of all materials and equipment purchased or furnished directly by the Authority for the Construction Project. Upon completion of all work authorized in the Construction Phase, the Engineer will be paid the remainder of the charge for this Phase.

3. ADDITIONAL SERVICES NOT INCLUDED IN BASIC CHARGE

This subsection covers compensation for those engineering and surveying services often required for a Construction Project which are not included in the Basic Charge for Design and Construction Phases as defined above. The Engineer's compensation for additional services will be established on a time and materials basis as defined in Section VII.A. These services, upon agreement between the Authority and the Engineer, may also be performed on a fixed fee basis.

These Additional Services may include:

- a. Services of a Resident Project Representative and other field personnel as required for on-the-site observation of construction.
- b. Field surveys to collect information required for design and to establish construction controls.

- c. Land surveys and establishment of boundaries and monuments.
- d. Preparation of property or easement descriptions.
- e. Soil and foundation investigations, including test borings, soil tests, materials testing during construction, and analyses of test results.
- f. Preparation of applications and supporting documents for government grants or planning advances for public works projects.
- g. Preparation of local, state and federal permit applications and supporting documents for permits in connection with environmental laws.
- h. Appearances before regulatory agencies. Services required for routing of plans and specifications for local, state and federal agencies.
- i. Material audits or inventories required for certification of force account construction performed by the Authority.
- j. Detailed mill, shop and/or laboratory inspection of materials or equipment.
- k. Preparation of as-built drawings as required by the County Engineer's Office or desired by the Authority.
- l. Assistance to the Authority as an expert witness in any litigation with third parties, arising from development or construction of the project.
- m. Extra travel required of the Engineer and authorized by the Authority from Houston to points other than Harris County in connection with the project.
- n. Additional copies of reports, contracts, and specifications (over 5) and additional blue print copies of drawings (over 5).

Payments to the Engineer for Additional Services will be billed monthly and are payable monthly.

SECTION VIII

REVISION OF DRAWINGS AND SPECIFICATIONS

The Engineer will make, without expense to the Authority, such revisions of the preliminary drawings as may be required to meet the needs of the Authority, but after a definite plan has been approved by the Authority, if a decision is subsequently made by the Authority which, for its proper

execution, involves extra services and expenses for changes in, or additions to, the drawings, specifications or other documents, or if the Engineer is put to labor or expense by delays imposed on him from causes not within his control, such as by (but not limited to) the readvertisement of bids or by the delinquency or insolvency of contractors, the Engineer shall be compensated for such extra services and expense, which services and expense shall not be considered as covered by either the Basic Charge as defined above or by a fixed fee. Compensation for such extra services shall be made on a time and materials basis as defined in Section VII.A, or fixed fee basis, and reimbursement for certain non-labor expenses and subcontract expenses at Engineer's cost. The basis for fee determination shall be identified in writing, prior to commencement of such services by the Engineer.

SECTION IX

OWNERSHIP OF INSTRUMENTS OF SERVICE

The reports, plans, specifications, field data, field notes, laboratory test data, calculations, estimates and other similar documents prepared by the Engineer pursuant to this Agreement shall be the property of the Authority. The Authority recognizes that no such documents should be subject to unauthorized re-use, that is, re-use without written authorization of the Engineer to do so. Such authorization is essential because it requires the Engineer to evaluate the documents' applicability to new circumstances, not the least of which is passage of time. To the extent permitted by applicable law, the Authority agrees to waive any claim against the Engineer and defend, indemnify and hold the Engineer harmless from any claim or liability for injury or loss allegedly arising from unauthorized re-use of the said documents.

The Engineer agrees to maintain all Authority records in accordance with the requirements of the Texas Local Government Records Act and all rules, regulations, policies, and retention schedules adopted thereunder.

SECTION X

TERMINATION

Either party to this Agreement may terminate the Agreement by giving to the other thirty days notice in writing. Upon delivery of such notice by the Authority to the Engineer, and upon expiration of the thirty-day period, the Engineer shall discontinue all services in connection with the performance of this Agreement and shall proceed to cancel promptly all existing orders and contracts insofar as such orders or contracts are chargeable to this Agreement. As soon as practicable after receipt of notice of termination, the Engineer shall submit a statement showing in detail the services performed under this Agreement to the date of termination. The Authority shall then pay the Engineer promptly that proportion of the prescribed charges which the services actually performed under this Agreement bear to the total services called for under this Agreement, less such payments on account of the charges as have been previously made. All completed or partially completed designs, plans and

specifications prepared and paid for by the Authority under this Agreement and all other records of the Authority retained in Engineer's office pursuant to Section IX shall be delivered to the Authority when and if this Agreement is terminated, but subject to the restrictions, as to their use, as set forth in Section IX.

SECTION XI

INSURANCE

Engineer assumes all risks, hazards and liabilities encountered in the performance of this Agreement. Engineer agrees to maintain Workers' Compensation Insurance to cover all of its own personnel engaged in performing services for Authority under this Agreement. Furthermore, Engineer agrees to maintain Professional Liability, Comprehensive General Liability and Comprehensive Automobile Liability Insurance each in an amount not less than \$500,000. Authority shall be named as additional insured on General and Automobile liability policies, and the insurance carrier shall provide Authority with thirty (30) days advance written notice of any change, cancellation or termination of coverage. Engineer shall provide Authority current certificates evidencing such insurance.

SECTION XII

LIABILITY LIMITATION

- A. The Engineer agrees to carry out and perform the services herein agreed to in a professional and competent manner. The Authority agrees that the Engineer shall not be liable for error, omission, or breach of warranty (either expressed or implied) in his preparation of designs and drawings, preparation of surveys, designation and selection of materials and equipment for the project, or the performance of any other services in connection with any assignment for which specific authorization is given by the Authority pursuant to this Agreement, except to the extent that he fails to exercise the usual degree of care and judgment of an ordinarily prudent Engineer in the same or similar circumstances and conditions.
- B. ENGINEER SHALL INDEMNIFY AND HOLD HARMLESS AUTHORITY FROM LOSS, COST, EXPENSE, OR LIABILITY THAT THE AUTHORITY MAY INCUR OR SUFFER AS A RESULT OF ANY INFRINGEMENT INCURRED BY A DECISION MADE SOLELY BY THE ENGINEER OF THE PATENT OR COPYRIGHT LAWS OF THE UNITED STATES OR OTHER COUNTRY FOR WHICH THE AUTHORITY IS HELD LIABLE.
- C. ENGINEER SHALL PROTECT, INDEMNIFY AND SAVE AUTHORITY HARMLESS FROM AND AGAINST ALL CLAIMS, LOSSES, DAMAGES, CAUSES OF ACTION, SUITS AND LIABILITY OF ANY KIND AND CHARACTER INCLUDING ALL EXPENSES OF LITIGATION, COURT COSTS AND REASONABLE ATTORNEYS'

FEES ON ACCOUNT OF INJURIES OR DAMAGES TO ANY PERSON OR PROPERTY IN ANY WAY ARISING OUT OR RELATING TO THE WORK UNDER THIS AGREEMENT TO THE EXTENT OR DEGREE ON A COMPARATIVE BASIS OF FAULT CAUSED BY OR RESULTING FROM THE INTENTIONAL, WILLFUL OR NEGLIGENT ACTS OR OMISSIONS BY ENGINEER, ANYONE DIRECTLY OR INDIRECTLY EMPLOYED BY ENGINEER OR ANYONE FOR WHOSE ACTS ENGINEER MAY BE LIABLE.

SECTION XIII

SEVERABILITY

Any provision or part of the Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon Authority and Engineer, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

SECTION XIV

AMENDMENTS, CONSTRUCTION, ASSIGNMENT

The Agreement may be amended only in writing executed by both parties. This Agreement shall be construed in accordance with the laws of the State of Texas and shall not be assigned by either party without the prior written consent of the other.

EXECUTED in three (3) counterparts (each of which is an original) on behalf of Engineer by its President or Vice-President shown below and on behalf of the Authority by its President (thereunto duly authorized) on this 2nd day of July, 2008.

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Attest:

Judge Costen
Secretary, Board of Directors

Raymond L. Cox
President, Board of Directors

PATE ENGINEERS, INC.

Attest:

Both S. Dillan
Assistant Secretary

JAE Ross
Senior Vice President

(CORPORATE SEAL)

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EXHIBIT A
PATE ENGINEERS, INC.

CONDITIONS FOR ENGINEERING SERVICES
ON TIME AND MATERIALS BASIS

For and in consideration of the services to be rendered by the Engineer, the Owner shall pay, and the Engineer shall receive the compensation on a time and materials basis hereinafter set forth. Engineer will invoice Owner for services performed on a monthly basis.

Services performed on a time and materials basis would be based on the actual hourly salary cost rates for members of our staff times a multiplier of 2.3. The following is a list of typical hourly salary cost rates for various staff categories:

Table with 4 columns: Staff Category, Typical Salary Cost, Multiplier, Typical Rate. Rows include Principal, Senior Project Manager, Project Manager, Design Manager, Project Engineer, Design Engineer, Senior Designer, GIS Technician, CADD Technician, Construction Manager, Construction Observer, Senior Administrative, and Administrative.

PATE ENGINEERS, INC.
January 2010

EXHIBIT B

PATE SURVEYORS

a division of Pate Engineers, Inc.

SURVEY BILLING RATE SCHEDULE

(EFFECTIVE JANUARY 1, 2010)

Survey Manager	\$ 120.00
Registered Professional Land Surveyor	\$ 100.00
Survey Coordinator	\$ 85.00
Survey Technician	\$ 65.00
Clerical	\$ 45.00
Survey Crew	\$150.00

Survey Crew rates are inclusive of all normal material, equipment, and vehicle costs, and are billed "portal to portal". Overtime rates, when required and approved by Client, would be invoiced at 1.50 times the listed rates. Expenses for hourly per diems, hotel expenses, substantial or special materials and/or services or expenses required for specific projects, (e.g. delivery charges, reproduction costs, special property identification markers, specialized vehicle and equipment rentals, subcontracted labor and equipment for clearing, charges by public and private utilities for pipeline probing, subcontracted services by abstracting and/or title companies) will be billed at cost. Certain Surveying Services are subject to State and Local Sales Taxes which will be included on the invoice, in addition to normal billing rates and service charges.

SERVICES PROVIDED BY PATE SURVEYORS WILL COMPLY WITH THE RULES AND REGULATIONS OF THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING ANY COMPLAINTS, NOT SATISFIED BY THIS FIRM, SHOULD BE DIRECTED TO: THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING 12100 PARK 35 CIRCLE, BLDG. A, SUITE 156, MC-230, AUSTIN, TEXAS 78753

EXHIBIT "C"

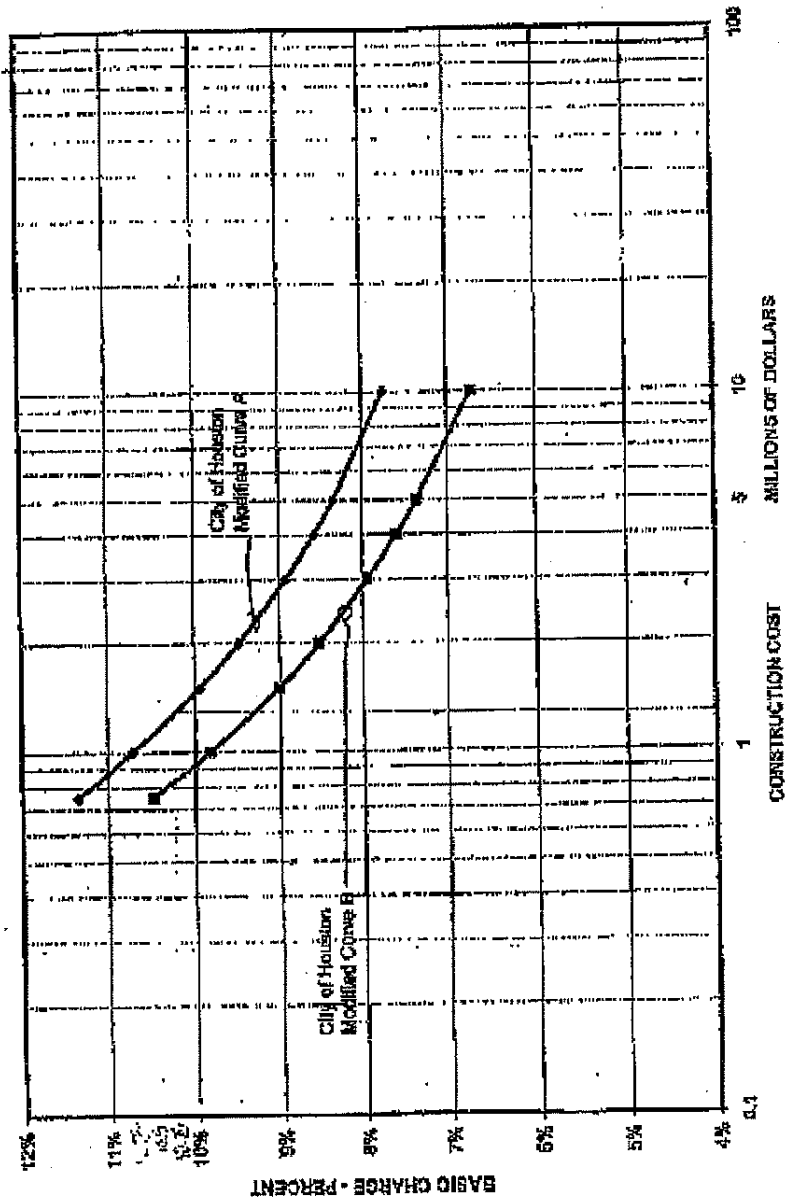
DEPARTMENT OF PUBLIC WORKS AND ENGINEERING

Curves of Meridian Compensation

Curves A and B

Shawn Nardig
Shawn Nardig, P.E.
Deputy Director

John C. Vanden Bosch
John C. Vanden Bosch, P.E.
Director



AGREEMENT FOR LEGAL SERVICES

This AGREEMENT FOR LEGAL SERVICES (hereinafter called the "Agreement") made and entered into this 14th day of September, 2005, by and between the Central Harris County Regional Water Authority (hereinafter called "the Authority") and Schwartz, Page & Harding, L.L.P., of Houston, Texas (hereinafter called "Firm").

WITNESSETH:

Whereas, the Authority is desirous of obtaining legal services in connection with matters requiring general legal representation and in connection with the issuance of bonds in order to finance utility improvements for the Authority.

Whereas, the Firm is willing to provide such services in a proper, efficient and professional manner.

AGREEMENT:

Now, therefore, in consideration of the promises and other good and valuable consideration and of the mutual benefits and covenants hereinafter expressed, the Authority and the Firm agree as follows:

The Authority and Firm agree that the Firm has previously handled the creation of the Authority.

The Authority hereby also employs the Firm to prepare all legal documentation necessary to obtain the approvals of the Attorney General of the State of Texas of all future bonds of the Authority (hereinafter called "Bonds") and the registration thereof by the Comptroller of Public Accounts of the State of Texas.

The Firm will perform services as bond counsel in connection with the approval, issuance and sale of Bonds to be issued by the Authority in order to provide utility improvements in accordance with the purposes for which the Authority was created ("New Money Bonds") and Bonds to be issued to refinance, redeem and/or defease previously issued Bonds ("Refunding Bonds"). The Firm's services as bond counsel will include the preparation and review of legal notices, resolutions and orders for adoption by the Board of Directors of the Authority (hereinafter called the "Board"), instruments required to obtain approvals of the TCEQ, if necessary, and the Attorney General of the State of Texas, and issuance of the Bonds and registration thereof with the Comptroller of Public Accounts of the State of Texas. In addition, in the Firm's capacity as bond counsel, the Firm will review a transcript of certified proceedings pertaining to the Bonds, which the Firm will help to prepare, and the Firm will render its opinion that the Bonds are valid and binding obligations of the Authority. With

respect to New Money Bonds, the Firm will also render its opinion that the interest on the New Money Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions. It is understood and agreed that the Authority will engage Special Tax Counsel in connection with the issuance of Refunding Bonds to render the opinion that the interest on the Refunding Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions, the fee for which will be paid out of or as a part of the Firm's fee for Refunding Bonds set forth below.

The Firm understands that the Authority has employed 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 the Firm's capacity as bond counsel, the Firm will review those portions of the Offering Documents which describe the Authority's legal authority for issuance of the Bonds, tax procedures and other legal matters to determine whether such information fairly summarizes relevant provisions of Texas law and the documents referred to therein. The Firm will not, however, undertake to independently verify any of the factual information contained in the Offering Documents, nor will the Firm conduct any investigation of the affairs of the Authority for the purpose of passing on the accuracy or completeness of the Offering Documents. Since the Firm's role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing the Firm's services as outlined above and stating that the Firm's 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.

The Firm will not be responsible for advising the Authority concerning the provisions of the various securities laws, including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, the rules of the Securities and Exchange Commission relative to disclosure (including continuing disclosure), and the securities laws of the various states in which the Bonds may be sold. The Firm understands that the Authority has employed or will employ a firm recognized in the area of securities law to provide said advice.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of New Money Bonds, the Authority shall pay the Firm, from each issue or installment of the New Money Bonds, the following amounts:

1. Two and one half percent (2- $\frac{1}{2}$ %) of the par value of the first \$5,000,000 in principal amount of the New Money Bonds;
2. Two percent (2%) of the par value of the principal amount of the New Money Bonds in excess of \$5,000,000 of New Money Bonds up to \$10,000,000 of New Money Bonds;
3. One and one half percent (1- $\frac{1}{2}$ %) of the par value of the principal amount of the New Money Bonds in excess of \$10,000,000 of New Money Bonds up to \$20,000,000 in New Money Bonds; and
4. One percent (1%) of the par value of the principal amount of the New Money Bonds in excess of \$20,000,000 of New Money Bonds.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of Refunding Bonds and the services of Special Tax Counsel engaged as set forth above and unless otherwise specifically agreed in writing, the Authority shall pay the Firm and Special Tax Counsel, from each issue or installment of the Refunding Bonds one percent (1%) of the par value of the Refunding Bonds, but not less than \$35,000.

The fees for each series of Bonds, as expressed above, shall be due and payable upon the registration thereof by the Comptroller of Public Accounts of the State of Texas. The fees provided for above with respect to bond counsel services shall not include any litigation in which the Authority may be involved nor any services except those specifically set forth above.

If the area of the Authority is reduced or enlarged, this Agreement shall be applicable to the new area the same as to the original area. In case of the addition or annexation of lands to the Authority, the Firm shall perform in connection with such lands all bond counsel services as herein above provided for the original area and shall be paid therefor in accordance with the fees provided above; but such fees shall not include the services for adding or annexing the land to the Authority nor the services for any election held in connection with an addition or annexation. Neither shall the fees above include the services for the exclusion of land from the Authority or any election held in connection therewith.

The Firm, in addition to the bond counsel services described above, and upon request by the Board, shall perform general legal representation for the Authority including services such as contract negotiation and preparation, application for permits, the calling and holding of elections, the negotiation and preparation of documentation for additions or annexations and exclusions of

property, and the preparation of orders and resolutions for adoption by the Board. A representative of the Firm shall also, upon request by the Board, call and attend meetings of the Board, prepare the minutes thereof, and maintain the files and records of the Authority. The Firm shall, upon request by the Board, assist a firm of recognized litigation attorneys engaged by the Authority in connection with any litigation affecting the Authority.

The Firm's fees for general legal representation shall be based on the Firm's established hourly rates and shall be payable upon the presentation of invoices by the Firm. The Authority shall pay the Firm for expenses, including travel, telephone, telefax, secretarial overtime and copying expenses, and all other items and expenses incurred or paid by the Firm on behalf of the Authority.

In light of technological advancements and the corresponding demands of clients, it is the practice of the Firm to use electronic (e-mail) correspondence from time to time to communicate and to transmit documents. The possibility exists that electronic transmissions could be intercepted or otherwise received by third parties and lose their privileged nature if the method of communication is ruled to lack sufficient confidentiality. As with any correspondence regarding legal representation, regardless of the manner of transmission, we urge you to use caution in its dissemination in order to protect its confidentiality. By signing below, you agree that the Firm may use e-mail in the scope of our representation of you.

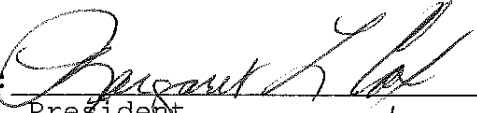
Nothing herein shall be construed to impose any personal liability on any officer or director of the Authority.

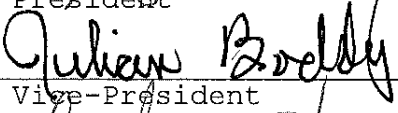
This Agreement may be terminated by either party hereto at any time; however, the Firm shall be compensated for services and expenses through the date of such termination on the same basis for which the Firm is entitled to compensation pursuant to an annexation by a city or other political subdivision as hereinabove set forth.

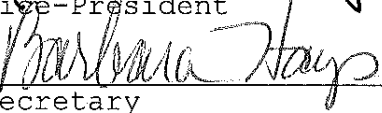
This Agreement may be executed in multiple counterparts, any one of which shall be deemed to be an original, but all of which taken together shall constitute but one Agreement, and the signature pages of which may be removed and aggregated to form one single Agreement reflecting execution by both parties.


In witness whereof, the members of at least a quorum of the Board of Directors of the Authority, being authorized to do so, have executed this Agreement on behalf of the Authority, and the Firm has executed said Agreement on the date first above written.

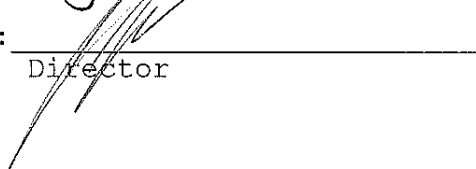
CENTRAL HARRIS COUNTY REGIONAL
WATER AUTHORITY

By: 
President

By: 
Vice-President

By: 
Secretary

By: 
Director

By: 
Director

SCHWARTZ, PAGE & HARDING, L.L.P.

By: Abraham Rubinsky
Abraham I. Rubinsky



Galleria Financial Center ■ 5075 Westheimer, Suite 1175 ■ Houston, Texas 77056-5606

September 14, 2005

Central Harris County Regional Water Authority
Board of Directors
Harris County, TX

Dear Board Members:

The purpose of this letter is to serve as a Financial Advisory Agreement (the "Agreement") between the Central Harris County Regional Water Authority (the "Authority") and the GMS Group, L.L.C. ("GMS").

GMS proposes to serve as the Financial Advisor to the Authority and to work with the Authority on a project by project basis. We will work on projects/assignments that the Authority's Board wishes us to work on from time to time. GMS will work on projects only after receiving direction from the Authority's Board. GMS will not just "go-off" and work on a project/assignment unless asked to do so by the Authority.

GMS will be paid a fee of \$135.00 per hour for the work performed. GMS will not charge additional fees for work that is performed as a part of any bond/note transaction, private placement transaction, or bank loan transaction.

Any amounts invoiced by GMS to the Authority will be paid only if the Board is happy with the work performed by GMS. Invoices will specifically identify the time that was spent on each project/assignment so the Board members can easily review the charges for work performed. If the Board is not happy with the work performed, then no amount will be owed to GMS for such work.

GMS will work exclusively in an advisory capacity to the Authority and not put ourselves in a position where there might be a potential conflict of interest. This means that we: (i) will not ask to serve as an Underwriter on negotiated transactions with the Authority; and (ii) will only submit a bid for bonds sold at a public sale with the explicit permission of the Board of Directors at the time of the bond sale.

Either party may terminate this Agreement at any time without cause by giving the other party 7 days written notice. Upon notice of termination, GMS will complete any work that it is currently in the process of providing for the Authority's Board at the Authority's request. Upon termination, the Authority will pay the amounts owed to GMS for the work performed.

Page 2

If this Agreement is acceptable to the Board, then just let me know; I am prepared to begin working for you.

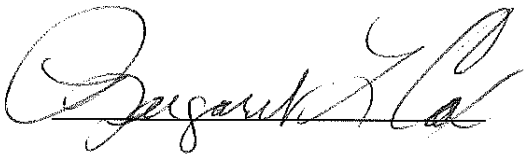
If I can answer any questions that you may have, please do not hesitate to call me at (713) 626-3552.

Sincerely yours,



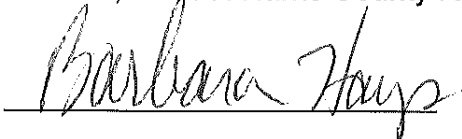
John F. Howell, Jr.
Senior Vice President

Agreed and Accepted:



Director, Central Harris County Regional Water Authority

Date Signed: 9-14-05



Director, Central Harris County Regional Water Authority

Date Signed: 9-14-05

A CONTRACT FOR BOOKKEEPING SERVICES

STATE OF TEXAS

COUNTY OF HARRIS

This Service Contract is made as of the 5 day of July, 2006 by and between the **CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the Authority)** and **F. MATUSKA, INC. (the Bookkeeper)** in consideration of the mutual covenants and agreements herein contained.

I. Basic Services

Beginning on August 1, 2006 Bookkeeper shall render the following services to the Authority:

1. Prepare and present, for Board approval, a monthly report showing cash receipts and disbursements activity within the general, debt service, and capital projects 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 District's General, Debt Service, Capital Projects, and General Long Term Debt Funds in accordance with generally accepted accounting procedures and the Texas Commission on Environmental Quality's Water District Accounting Manual, 2004.
3. Maintain all journals and ledgers of the Authority in such a manner that excessive auditing procedures or adjustments by the District's auditor are not required.
4. Deposit Authority funds in the appropriate account on a timely basis.
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 general, debt service, and capital projects funds.
6. The Bookkeeper 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 45 days following the end of the District'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 District shall pay Bookkeeper Fifty Dollars (\$50) in addition to any other compensation.
10. Process Directors' monthly payroll and file Form 941 quarterly reports on a timely basis.
11. Prepare annual budget for the General Fund.

II. Compensation

The Authority shall pay to the Bookkeeper as compensation for the above enumerated services the sum of \$725.00 per month. In addition to the services specifically named above, the Bookkeeper will provide the Authority with such additional bookkeeping services as its Board of Directors may require as being conducive to sound management. Such additional services will be billed at the rate of \$60.00 per hour and may include, but are not limited to, attendance at more than one meeting per month, meetings for more than one hour, special reports, funds handling resulting from the sale of Bonds or Bond Anticipation Notes, comparisons of Capital Projects Fund expenditures with the costs summary approved by the Commission, preparation of audit schedules and workpapers, quarterly investment reports, annual filing with state and federal agencies, and annual payroll filings.

If Bookkeeper is appointed as Investment Officer, in accordance with the Authority's Investment Policy, the Bookkeeper will receive as compensation \$50.00 per month.

Authority shall pay bookkeeper for all out-of-pocket expenses reasonably and necessarily incurred by Bookkeeper in the performance of services described herein, including, but not limited to, document reproduction, postage, long-distance telephone calls, ledger binders and file folders, records storage, parking, tolls, and automobile travel to and from Authority meetings at the rate per mile allowed by the Internal Revenue Service.

III. Public Employees Blanket Bond

The Bookkeeper shall provide a public employees blanket bond, in an amount the Authority determines appropriate, within ten (10) days of execution of this Agreement. The cost of such bond shall be borne by the Authority.

IV. Timely Invoicing

The Authority shall instruct all contractors, vendors and service representatives of the Authority to submit all bills and invoices to the Bookkeeper 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.

V. 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 terminated by either party without cause at any time upon submission of thirty (30) days written notice.


All journals and ledgers maintained by the Bookkeeper 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.

VI. Miscellaneous

No alterations or modifications of this Contract shall be made except by a writing duly signed by both parties hereto.

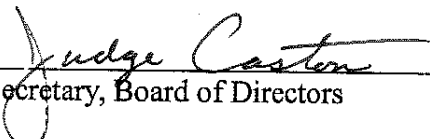
This contract has been executed in multiple copies and is effective as of the date shown above by the duly authorized officers of the parties hereto.

FOR THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY




President, Board of Directors

ATTEST:



Secretary, Board of Directors

FOR F. MATUSKA, INC.



Fran Matuska, President

AGREEMENT FOR LEGAL SERVICES

This AGREEMENT FOR LEGAL SERVICES (hereinafter called the "Agreement") made and entered into this 14th day of September, 2005, by and between the Central Harris County Regional Water Authority (hereinafter called "the Authority") and Schwartz, Page & Harding, L.L.P., of Houston, Texas (hereinafter called "Firm").

WITNESSETH:

Whereas, the Authority is desirous of obtaining legal services in connection with matters requiring general legal representation and in connection with the issuance of bonds in order to finance utility improvements for the Authority.

Whereas, the Firm is willing to provide such services in a proper, efficient and professional manner.

AGREEMENT:

Now, therefore, in consideration of the promises and other good and valuable consideration and of the mutual benefits and covenants hereinafter expressed, the Authority and the Firm agree as follows:

The Authority and Firm agree that the Firm has previously handled the creation of the Authority.

The Authority hereby also employs the Firm to prepare all legal documentation necessary to obtain the approvals of the Attorney General of the State of Texas of all future bonds of the Authority (hereinafter called "Bonds") and the registration thereof by the Comptroller of Public Accounts of the State of Texas.

The Firm will perform services as bond counsel in connection with the approval, issuance and sale of Bonds to be issued by the Authority in order to provide utility improvements in accordance with the purposes for which the Authority was created ("New Money Bonds") and Bonds to be issued to refinance, redeem and/or defease previously issued Bonds ("Refunding Bonds"). The Firm's services as bond counsel will include the preparation and review of legal notices, resolutions and orders for adoption by the Board of Directors of the Authority (hereinafter called the "Board"), instruments required to obtain approvals of the TCEQ, if necessary, and the Attorney General of the State of Texas, and issuance of the Bonds and registration thereof with the Comptroller of Public Accounts of the State of Texas. In addition, in the Firm's capacity as bond counsel, the Firm will review a transcript of certified proceedings pertaining to the Bonds, which the Firm will help to prepare, and the Firm will render its opinion that the Bonds are valid and binding obligations of the Authority. With

respect to New Money Bonds, the Firm will also render its opinion that the interest on the New Money Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions. It is understood and agreed that the Authority will engage Special Tax Counsel in connection with the issuance of Refunding Bonds to render the opinion that the interest on the Refunding Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions, the fee for which will be paid out of or as a part of the Firm's fee for Refunding Bonds set forth below.

The Firm understands that the Authority has employed 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 the Firm's capacity as bond counsel, the Firm will review those portions of the Offering Documents which describe the Authority's legal authority for issuance of the Bonds, tax procedures and other legal matters to determine whether such information fairly summarizes relevant provisions of Texas law and the documents referred to therein. The Firm will not, however, undertake to independently verify any of the factual information contained in the Offering Documents, nor will the Firm conduct any investigation of the affairs of the Authority for the purpose of passing on the accuracy or completeness of the Offering Documents. Since the Firm's role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing the Firm's services as outlined above and stating that the Firm's 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.

The Firm will not be responsible for advising the Authority concerning the provisions of the various securities laws, including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, the rules of the Securities and Exchange Commission relative to disclosure (including continuing disclosure), and the securities laws of the various states in which the Bonds may be sold. The Firm understands that the Authority has employed or will employ a firm recognized in the area of securities law to provide said advice.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of New Money Bonds, the Authority shall pay the Firm, from each issue or installment of the New Money Bonds, the following amounts:

1. Two and one half percent (2- $\frac{1}{2}$ %) of the par value of the first \$5,000,000 in principal amount of the New Money Bonds;
2. Two percent (2%) of the par value of the principal amount of the New Money Bonds in excess of \$5,000,000 of New Money Bonds up to \$10,000,000 of New Money Bonds;
3. One and one half percent (1- $\frac{1}{2}$ %) of the par value of the principal amount of the New Money Bonds in excess of \$10,000,000 of New Money Bonds up to \$20,000,000 in New Money Bonds; and
4. One percent (1%) of the par value of the principal amount of the New Money Bonds in excess of \$20,000,000 of New Money Bonds.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of Refunding Bonds and the services of Special Tax Counsel engaged as set forth above and unless otherwise specifically agreed in writing, the Authority shall pay the Firm and Special Tax Counsel, from each issue or installment of the Refunding Bonds one percent (1%) of the par value of the Refunding Bonds, but not less than \$35,000.

The fees for each series of Bonds, as expressed above, shall be due and payable upon the registration thereof by the Comptroller of Public Accounts of the State of Texas. The fees provided for above with respect to bond counsel services shall not include any litigation in which the Authority may be involved nor any services except those specifically set forth above.

If the area of the Authority is reduced or enlarged, this Agreement shall be applicable to the new area the same as to the original area. In case of the addition or annexation of lands to the Authority, the Firm shall perform in connection with such lands all bond counsel services as herein above provided for the original area and shall be paid therefor in accordance with the fees provided above; but such fees shall not include the services for adding or annexing the land to the Authority nor the services for any election held in connection with an addition or annexation. Neither shall the fees above include the services for the exclusion of land from the Authority or any election held in connection therewith.

The Firm, in addition to the bond counsel services described above, and upon request by the Board, shall perform general legal representation for the Authority including services such as contract negotiation and preparation, application for permits, the calling and holding of elections, the negotiation and preparation of documentation for additions or annexations and exclusions of

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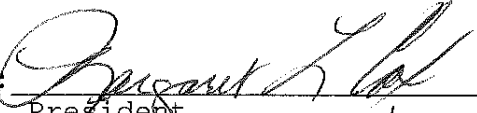
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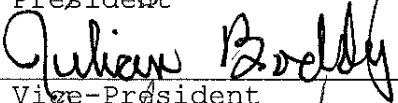
This Agreement may be terminated by either party hereto at any time; however, the Firm shall be compensated for services and expenses through the date of such termination on the same basis for which the Firm is entitled to compensation pursuant to an annexation by a city or other political subdivision as hereinabove set forth.

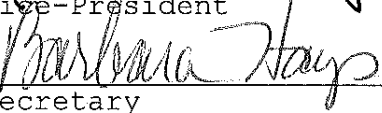
This Agreement may be executed in multiple counterparts, any one of which shall be deemed to be an original, but all of which taken together shall constitute but one Agreement, and the signature pages of which may be removed and aggregated to form one single Agreement reflecting execution by both parties.


In witness whereof, the members of at least a quorum of the Board of Directors of the Authority, being authorized to do so, have executed this Agreement on behalf of the Authority, and the Firm has executed said Agreement on the date first above written.

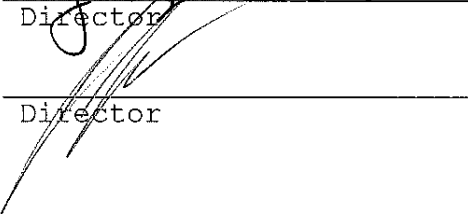
CENTRAL HARRIS COUNTY REGIONAL
WATER AUTHORITY

By: 
President

By: 
Vice-President

By: 
Secretary

By: 
Director

By: 
Director

SCHWARTZ, PAGE & HARDING, L.L.P.

By: Abraham Rubinsky
Abraham I. Rubinsky

A6 & A7

Counties

Harris

Identify the Applicant's total service area population:: 42,300

Funding Program(s)

Funding Programs

SWIFT: \$7,585,000

Other Funding Sources

Other Funding Sources

Funding Source	Type of Funds (Loan, Grant, etc.)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
SWIFT	Bond	\$22,655,000	06-05-2015	
SWIFT	Bond	\$4,900,000	04-28-2017	

Other Funding Comments: Commitment was multi-year commitment for 2015-2020

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO CENTRAL HARRIS
COUNTY REGIONAL WATER AUTHORITY
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$41,630,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS
PROPOSED SERIES 2015 THROUGH PROPOSED SERIES 2020

(15-078)

WHEREAS, the Central Harris County Regional Water Authority, located in Harris County, Texas, (Authority) has filed applications for financial assistance in the total amount of \$41,630,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), to finance the planning, acquisition, design and construction of certain water supply projects identified below; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$41,630,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 through Proposed Series 2020, (together with all authorizing documents "Obligations"), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the Authority has offered a pledge of system revenue as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307; and

WHEREAS, the commitment is approved for an interest rate subsidy through December 31, 2019; and

WHEREAS, interest rate subsidies are available to the Authority at the following levels: 35.5% for loans of a term of 20 years, 27% for loans of a term of 25 years, and 22% for loans of a term of 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the Authority, pursuant to this Resolution; and

WHEREAS, the TWDB hereby finds:

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

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

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

A commitment is made by the TWDB to Central Harris County Regional Water Authority for financial assistance in the amount of \$41,630,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of Central Harris County Regional Water Authority Revenue Bonds, in accordance with the schedule proposed below.

- a) \$10,805,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 A, B, and C to expire on December 31, 2015;
- b) \$2,395,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2016, to expire on December 31, 2016;
- c) \$21,650,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017, to expire on December 31, 2017;
- d) \$1,685,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018, to expire on December 31, 2018;
- e) \$1,535,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2019, to expire on December 31, 2019; and
- f) \$3,560,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2020, to expire on December 31, 2020.

Further, the commitment described above consists of the following Projects:

- a) Project No. 51023 (Northeast Water Purification Plant Expansion) in the amount of \$22,655,000;
- b) Project No. 51021 (Second Source Transmission Line Phase I) in the amount of \$9,460,000; and
- c) Project No. 51009 (Second Source Transmission Line Phase II) in the amount of \$9,515,000.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the Authority;
3. this commitment is contingent upon the Authority's continued compliance with all applicable laws, rules, policies and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement;
4. this commitment is contingent upon the Authority executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;
5. the Authority shall use a paying agent/registrars in accordance with 31 TAC Section 363.42(c)(2), and shall require the paying agent/registrars to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments.

The Following Conditions Must Be Included in the Obligations:

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
7. the Obligations must include a provision wherein the Authority, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the Authority's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;
8. the Obligations must contain a provision requiring the Authority to maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;

9. the Obligations must include a provision requiring the Authority to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the project as authorized by the Executive Administrator;
10. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
11. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
12. loan proceeds shall not be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the Authority agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
13. the Obligations must include a provision stating that the Authority shall report to the TWDB the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
14. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC Section 363.42(c)(1);
15. the Obligations must include a provision prohibiting the Authority from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that

are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:

- a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
17. the Obligations must include a provision requiring the Authority take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the Authority will:
- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The Authority shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;

18. the Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
19. the Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
20. the Obligations must provide that neither the Authority nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the Authority by the TWDB;

Revenue Pledge

21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
22. if the Authority has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
23. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:
 - (a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or
 - (b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on

the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

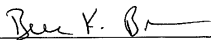
Conditions to Close or for Release of Funds:

24. prior to closing, the Authority shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges sufficient for the repayment of all system debt service requirements;
25. prior to closing, and if not previously provided with the application, the Authority shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
26. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
27. prior to release of funds for construction, the Authority must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Authority has the legal authority necessary to complete the acquisitions;
28. prior to release of funds for acquisition, design, or construction for specific project elements, the environmental review must be completed and a favorable environmental finding must have been issued;
29. prior to closing, the Authority's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
30. prior to closing, the Authority's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
31. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations; and

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


APPROVED and ordered of record this the 23rd day of July, 2015.

TEXAS WATER DEVELOPMENT BOARD


Bech K. Braun, Chairman

DATE SIGNED: 7-23-15

ATTEST:


Kevin Patteson
Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION 15-078
AND
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO CENTRAL HARRIS
COUNTY REGIONAL WATER AUTHORITY
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$15,490,000 CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY REVENUE BONDS,
PROPOSED SERIES 2016 THROUGH PROPOSED SERIES 2020

(16-081)

WHEREAS, at its July 23, 2015 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-078, made a multi-year commitment to provide financial assistance to Central Harris County Regional Water Authority (Authority) from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the TWDB's proposed purchase of \$41,630,000 Central Harris County Regional Water Authority Revenue Bonds Proposed Series 2015 through 2020 for Project Nos. 51023, 51021, and 51009; and

WHEREAS, the Authority has filed an application requesting that the TWDB amend TWDB Resolution No. 15-078 to increase the commitment in the amount of \$2,905,000 from the SWIRFT for Project No. 51021; and

WHEREAS, the Authority has filed an application for financial assistance in the amount of \$12,585,000 from SWIRFT to finance the planning, acquisition, design, and construction of Project No. 51043; and

WHEREAS, the Authority seeks an amendment to TWDB Resolution No. 15-078 for additional financial assistance for Project No. 51021,

WHEREAS the Authority seeks financial assistance for Project No. 51043 in the form of a multi-year commitment through the TWDB's proposed purchase of \$15,490,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2016 through Proposed Series 2020 (together with all authorizing documents "Obligations"), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the Authority has offered a pledge of system revenue as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307; and

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

WHEREAS, the TWDB hereby finds that the amendment to increase the commitment in the amount of \$2,905,000 for Project No. 51021, is reasonable and that the request is in the public interest and will serve a public purpose; and

WHEREAS, the TWDB hereby finds:

1. that TWDB Resolution No. 15-078 is amended as described above to reflect a commitment in the total amount of \$12,365,000 for Project No. 51021;
2. that all other terms and conditions of TWDB Resolution No. 15-078 shall remain in full force and effect as related to Project No. 51021;
3. that the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M;
4. that Project No. 51043 is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
5. that the Authority satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
6. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the Authority and filed with the TWDB in accordance with 31 TAC § 358.6;
7. that the Authority has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3); and
8. that the amendment to TWDB Resolution No. 15-078 to increase the commitment by \$2,905,000 is reasonable, is in the public interest and will serve a public purpose and the commitment will be made in accordance with the annual loan closing schedule as proposed below.

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

1. The commitment made through TWDB Resolution No. 15-078 is amended to include an additional \$2,905,000 for Project No. 5102.
2. All other terms and conditions of TWDB Resolution No. 15-078 shall remain in full force and effect; and
3. The commitment made through TWDB Resolution No. 15-078 is amended to include a commitment made by the TWDB to the Central Harris County Regional Water Authority for financial assistance in the amount of \$15,490,000 from the State Water Implementation Revenue

Fund for Texas, to be evidenced by the TWDB's proposed purchase of Central Harris County Regional Water Authority Revenue Bonds as follows:

- a) \$9,270,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2016, to expire on December 31, 2016;
- b) \$21,650,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017, to expire on December 31, 2017;
- c) \$5,235,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018, to expire on December 31, 2018;
- d) \$6,600,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2019, to expire on December 31, 2019; and
- e) \$3,560,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2020, to expire on December 31, 2020.

Further, the commitment made through TWDB Resolution No. 15-078 as hereby amended and described above consists of the following Projects:

- a) Project No. 51023 (Northeast Water Purification Plant Expansion) in the amount of \$22,655,000;
- b) Project No. 51021 (Second Source Transmission Line Phase I) in the amount of \$12,365,000;
- c) Project No. 51009 (Second Source Transmission Line Phase II) in the amount of \$9,515,000; and
- d) Project No. 51043 (Internal Transmission and Distribution Line Expansion) in the amount of \$12,585,000.

Such commitment as it relates to Project No. 51043 is conditioned as follows:

Standard Conditions:

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

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

The Following Conditions Must Be Included in the Obligations:

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
7. the Obligations must include a provision wherein the Authority, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the Authority's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;
8. the Obligations must contain a provision requiring the Authority to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
9. the Obligations must include a provision requiring the Authority to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the project as authorized by the Executive Administrator;
10. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
11. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
12. loan proceeds shall not be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an

environmental indemnification provision wherein the Authority agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

13. the Obligations must include a provision stating that the Authority shall report to the TWDB the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
14. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC § 363.42(c)(1);
15. the Obligations must include a provision prohibiting the Authority from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
17. the Obligations must include a provision requiring the Authority take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the Authority will:

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

Revenue Pledge

21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
22. if the Authority has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens

securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;

23. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority has received a certificate executed by a certified public accountant or firm of certified public accountants to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

Conditions to Close or for Release of Funds:

24. prior to closing, and if not previously provided with the application, the Authority shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
25. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;


26. prior to closing, the Authority's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
27. prior to closing, the Authority's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
28. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations; and
29. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

APPROVED and ordered of record this, the 21st day of July, 2016.

TEXAS WATER DEVELOPMENT BOARD


 Bech K. Bruun, Chairman

DATE SIGNED: 7-21-16

ATTESTS

 Jeff Walker
 Executive Administrator

Funding & Project Type

Has this project received TWDB funding for any other project phases?: Y

Requesting Funding for Planning: Y

Requesting Funding for Acquisition: Y

Requesting Funding for Design: Y

Requesting Funding for Construction: Y

Is the project a water project?: Y

Is the project a wastewater project?: N

Is Applicant requesting funding to refinance existing debt?: N

DUNS: 0

Federal Awards information:

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD
RESOLUTION NOS. 15-078 and 16-081
TO PROVIDE FINANCIAL ASSISTANCE TO THE CENTRAL HARRIS COUNTY REGIONAL
WATER AUTHORITY
IN THE AMOUNT OF \$4,900,000

(17-081)

WHEREAS, at its July 23, 2015 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-078, made a multi-year commitment to provide financial assistance to the Central Harris County Regional Water Authority (Authority) from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the purchase of \$41,630,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 through 2020 for Project Nos. 51023, 51021, and 51009; and

WHEREAS, at its July 21, 2016 meeting, the TWDB, through TWDB Resolution No. 16-081 amended TWDB Resolution No. 15-078 to increase the financial assistance commitment in the amount of \$2,905,000 for Project No. 51021 and made a further commitment to finance Project No. 51043 through the purchase of an additional \$12,585,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 through 2020 through the SWIRFT, all as is more specifically set forth in the TWDB's Resolution Nos. 15-078 and 16-081 (Resolutions) and accompanying documentation, to which documents express reference is made; and

WHEREAS, the Authority seeks an amendment to TWDB Resolution No. 15-078 as amended by TWDB Resolution No. 16-081 for additional financial assistance for Project No. 51023 through the TWDB's proposed purchase of \$4,900,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017; and

WHEREAS, interest rate subsidies are available to the Authority at the following levels: 35.0% for a term of 20 years, 25.0% for a term of 21 to 25 years, and 20.0% for a term of 26 to 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the Authority, pursuant to this Resolution; and

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

WHEREAS, the TWDB hereby finds that the proposed amendment to TWDB Resolution No. 15-078, as amended by TWDB Resolution No. 16-081, as requested by the Authority, is reasonable and within the public interest and will serve a public purpose; and


WHEREAS, in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law and, in particular whether the request for additional financial assistance meets the criteria provided by Texas Water Code § 15.437 relating to the prioritization of the Project.

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

1. The commitment made through TWDB Resolution No. 15-078 as amended by TWDB Resolution No. 16-081, to the Central Harris County Regional Water Authority for financial assistance from the State Water Implementation Revenue Fund for Texas is amended, and shall be evidenced by the TWDB's proposed purchase of the Central Harris County Regional Water Authority Revenue Bonds, in accordance with the annual loan closing schedule proposed below:
 - a. \$26,550,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017;
 - b. \$5,235,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018;
 - c. \$6,600,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2019;
 - d. \$3,560,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2020.
2. Further, the commitment described above consists of the following Projects:
 - a. Project No. 51023 (Northeast Water Purification Plant Expansion) in the amount of \$22,045,000;
 - b. Project No. 51021 (Second Source Transmission Line Phase I) in the amount of \$5,835,000;
 - c. Project No. 51009 (Second Source Transmission Line Phase II) in the amount of \$5,450,000; and
 - d. Project No. 51043 (Internal Transmission and Distribution Line Expansion) in the amount of \$8,615,000.
3. All other terms and conditions of TWDB Resolution No. 15-078 shall remain in full force and effect.

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

TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun

Bech K. Bruun, Chairman

DATE SIGNED: 7-20-17

ATTEST:

Jeff Walker

Jeff Walker
Executive Administrator

Funding & Project Type

Has this project received TWDB funding for any other project phases?: Y

Requesting Funding for Planning: Y

Requesting Funding for Acquisition: Y

Requesting Funding for Design: Y

Requesting Funding for Construction: Y

Is the project a water project?: Y

Is the project a wastewater project?: N

Is Applicant requesting funding to refinance existing debt?: N

DUNS:

Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?:
2. Did applicant receive over \$25 million in Federal Awards last year?:
3. Does the public have access to executive compensation information via SEC or IRS reports?:

Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts):

TWDB-0215 N/A

Contractors & Loan/Grant Participation Summary

Have you already solicited contractors?:

Have contracts already been awarded?:

Legal Information

Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.: Section 9915.151, Texas Special District Local Laws Code

What type of pledge will be used to repay the proposed debt?: SYSTEMS_REVENUE

Provide the full legal name of the security for the proposed debt issue(s): \$7,585,000.00 Central Harris County Regional Water Authority Revenue Bonds, Series 2018

Describe the pledge being offered and any existing rate covenants.: Principal of and interest on the Bonds will be payable and secured by the net revenues of the CHCRWA. The CHCRWA will generate gross revenues sufficient to pay and provide for the timely payment of the Bonds through pumpage fees and service fees assessed pursuant to the CHCRWA rule and regulations.

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority") is a body politic and corporate and a governmental agency of the State of Texas, created and operating pursuant to special act of the 79th Texas Legislature as codified at Chapter 8815 of the Texas Special District Local Laws Code (the "Code"), and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Section 8815.101 of the Code authorizes the Authority to: (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 rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District; (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; (4) coordinate water services provided inside, outside, or into the Authority; and (5) generally administer and enforce the foregoing; and

WHEREAS, in connection with the foregoing, the Authority (as successor to the Central Harris County Water Users Consortium) has entered into certain contractual arrangements with the City of Houston, Texas (the "City"), relative to the purchase of surface water by the Authority from the City and the financing, design, construction, operation and maintenance of the expansion of the City's Northeast Water Purification Plant ("NEWPP"); and

WHEREAS, pursuant to Section 8815.110 of the Code, the Authority has determined that it is necessary and appropriate to proceed with the design and construction of the expansion of the NEWPP to accomplish the purposes of the Authority, including the funding of certain obligations under the contract with the City (the "Project"); and

WHEREAS, Section 8815.151 of the Code authorizes the Authority to finance the Project through the issuance of bonds or notes payable solely from revenue received by the Authority from any source, including but not limited to revenues received pursuant to that certain Rate Order heretofore duly adopted by the Authority; and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (the "Board") for financial assistance through the State Water Implementation Fund for Texas (the "SWIFT") in order to assist the Authority with the financing and construction of the Project; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially approves the filing of one or more applications for financial assistance from the SWIFT, through a contractual loan agreement, the purchase of the Authority's revenue bonds to be issued in one series, and/or such other means or requirements as may be applicable in connection with the SWIFT to facilitate the financing, design and construction of the Project (also referred to as PIF No. 12578) in an amount not to exceed \$7,585,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority and all other agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance. The Authority's engineers in connection with such application, IDS Engineering Group, Inc., Houston, Texas ("IDS"), including, but not limited to the following representatives of IDS: Marcel Khouw, Isaac Muniz and Isela Pachicano; and the Authority's professional financial advisors in connection with such application, The GMS Group, L.L.C., Houston, Texas ("GMS"), including, but not limited to the following representatives of GMS: Anita Ewing, Cory Howell, John Howell and Dennis Zafft; and the Authority's general and bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas ("SPH"), including, but not limited to the following representatives of SPH: Christina Cole, Linda Knox and Abraham Rubinsky, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 3: The Authority's engineers, financial advisors, and counsel, as set forth above, are hereby officially designated as the Authority's authorized representatives for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 4: All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

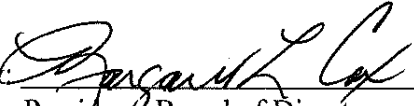
Section 5: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board.

Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

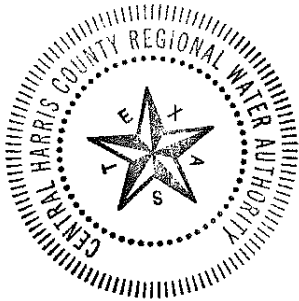
PASSED AND APPROVED this 4th day of April, 2018.

CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY

By: 
President, Board of Directors

ATTEST:

By: 
Secretary, Board of Directors



486295

AFFIDAVIT

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Marcel Khouw, who upon his oath did depose and say as follows:

"1. My name is Marcel Khouw, and I am a professional engineer employed by IDS Engineering Group, Inc., the engineers for the Central Harris County Regional Water Authority.

"2. In such capacity, I am familiar with the actions and proceedings of the Board of Directors of the Central Harris County Regional Water Authority and with the application by the Central Harris County Regional Water Authority to the Texas Water Development Board for financial assistance in an aggregate amount not to exceed \$7,585,000 for financing the costs of design and construction and such other aspects of the 'Project' as may be presented in the Authority's application for financial assistance to the Texas Water Development Board.

"3. By resolution of the Board of Directors of the Central Harris County Regional Water Authority, duly adopted in an open meeting on April 4, 2018, I have been designated as an official representative of the Central Harris County Regional Water Authority in connection with such Project and application to the Texas Water Development Board.

"4. I hereby certify that to the best of my knowledge and belief:

(a) the facts, data, materials and information included in such application are true and correct; and

(b) the Central Harris County Regional Water Authority warrants compliance with the representations made in such application in the event that the Texas Water Development Board provides the financial assistance requested therein."

[SIGNATURE ON FOLLOWING PAGE]

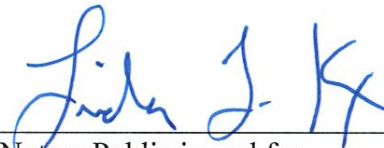
Executed this 4th day of April, 2018.



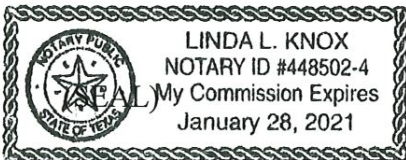
Marcel Khouw, Affiant

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was sworn to and subscribed before me on this 4th day of April, 2018, by Marcel Khouw, Affiant.



Notary Public in and for
the State of Texas



AFFIDAVIT

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Margaret L. Cox, who upon her oath did depose and say as follows:

"1. My name is Margaret L. Cox, and I am the President of the Board of Directors of the Central Harris County Regional Water Authority.

"2. In such capacity, I am familiar with the actions and proceedings of the Board of Directors of the Central Harris County Regional Water Authority and with the application by the Central Harris County Regional Water Authority to the Texas Water Development Board for financial assistance in an aggregate amount not to exceed \$7,585,000 for financing the costs of design and construction and such other aspects of the 'Project' as may be presented in the Authority's application for financial assistance to the Texas Water Development Board.

"3. I hereby certify that to the best of my knowledge and belief:

(a) the Central Harris County Regional Water Authority 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; and

(b) the Central Harris County Regional Water Authority 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 Texas Water Development Board.

"4. That all meetings of the Board of Directors of the Central Harris County Regional Water Authority pertaining to the Project, or approval of the related application to the Texas Water Development Board, have been held in accordance with Chapter 551, Texas Government Code."


[SIGNATURE ON FOLLOWING PAGE]

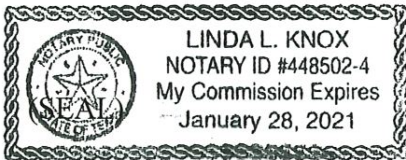
Executed this 4th day of April, 2018.


Margaret L. Cox, Affiant

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was sworn to and subscribed before me on this 4th day of April, 2018, by Margaret L. Cox, Affiant.


Notary Public in and for
the State of Texas



CERTIFICATE FOR
RESOLUTION

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President
Julian F. Boddy, Vice President
David Granadino, Secretary
Tom Gower, Assistant Secretary
Richard C. Meek, Assistant Secretary

met in regular session, open to the public, on April 4, 2018, at the offices of IDS Engineering Group, Inc., 13430 Northwest Freeway, Suite 700, Houston, Harris County, Texas, 77040, and all of the members of the Board were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER
DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING
AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND
CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

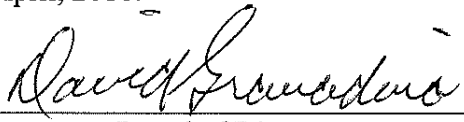
was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted, and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

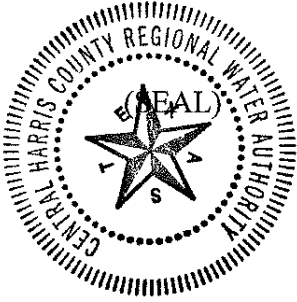
AYES: 5

NOES: 0

2. 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; such Resolution has been duly recorded in the Board's minutes of such meeting; 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 such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 4th day of April, 2018.


Secretary, Board of Directors



454940_1

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority") is a body politic and corporate and a governmental agency of the State of Texas, created and operating pursuant to special act of the 79th Texas Legislature as codified at Chapter 8815 of the Texas Special District Local Laws Code (the "Code"), and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Section 8815.101 of the Code authorizes the Authority to: (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 rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District; (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; (4) coordinate water services provided inside, outside, or into the Authority; and (5) generally administer and enforce the foregoing; and

WHEREAS, in connection with the foregoing, the Authority (as successor to the Central Harris County Water Users Consortium) has entered into certain contractual arrangements with the City of Houston, Texas (the "City"), relative to the purchase of surface water by the Authority from the City and the financing, design, construction, operation and maintenance of the expansion of the City's Northeast Water Purification Plant ("NEWPP"); and

WHEREAS, pursuant to Section 8815.110 of the Code, the Authority has determined that it is necessary and appropriate to proceed with the design and construction of the expansion of the NEWPP to accomplish the purposes of the Authority, including the funding of certain obligations under the contract with the City (the "Project"); and

WHEREAS, Section 8815.151 of the Code authorizes the Authority to finance the Project through the issuance of bonds or notes payable solely from revenue received by the Authority from any source, including but not limited to revenues received pursuant to that certain Rate Order heretofore duly adopted by the Authority; and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (the "Board") for financial assistance through the State Water Implementation Fund for Texas (the "SWIFT") in order to assist the Authority with the financing and construction of the Project; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially approves the filing of one or more applications for financial assistance from the SWIFT, through a contractual loan agreement, the purchase of the Authority's revenue bonds to be issued in one series, and/or such other means or requirements as may be applicable in connection with the SWIFT to facilitate the financing, design and construction of the Project (also referred to as PIF No. 12578) in an amount not to exceed \$7,585,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority and all other agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance. The Authority's engineers in connection with such application, IDS Engineering Group, Inc., Houston, Texas ("IDS"), including, but not limited to the following representatives of IDS: Marcel Khouw, Isaac Muniz and Isela Pachicano; and the Authority's professional financial advisors in connection with such application, The GMS Group, L.L.C., Houston, Texas ("GMS"), including, but not limited to the following representatives of GMS: Anita Ewing, Cory Howell, John Howell and Dennis Zafft; and the Authority's general and bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas ("SPH"), including, but not limited to the following representatives of SPH: Christina Cole, Linda Knox and Abraham Rubinsky, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 3: The Authority's engineers, financial advisors, and counsel, as set forth above, are hereby officially designated as the Authority's authorized representatives for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 4: All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

Section 5: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board.

Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

PASSED AND APPROVED this 4th day of April, 2018.

CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY

/s/ MARGARET L. COX
By: _____
President, Board of Directors

ATTEST:

/s/ DAVID GRANADINO
By: _____
Secretary, Board of Directors

Bonds, CCN, Enforcement Action

Is the applicant proposing to issue revenue bonds?: Y

Does the applicant possess a Certificate of Convenience and Necessity (CCN)?:

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?: N

CERTIFICATE FOR
RESOLUTION AUTHORIZING ISSUANCE OF \$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS, SERIES 2017

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President
Julian F. Boddy, Vice President
David Granadino, Secretary
Tom Gower, Assistant Secretary
Richard C. Meek, Assistant Secretary

met in special session, open to the public, on October 11, 2017, at 13430 Northwest Freeway, Suite 700, Houston, Harris County, Texas, 77040, and all of the members of the Board were present, except Director Boddy, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

RESOLUTION AUTHORIZING ISSUANCE OF \$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS, SERIES 2017

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

AYES: 4

NOES: 0

2. 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; such Resolution has been duly recorded in the Board's minutes of such meeting; 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 such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 11th day of October, 2017.

David Grandeur
Secretary, Board of Directors



RESOLUTION AUTHORIZING ISSUANCE OF
\$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS
SERIES 2017

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EXHIBIT "A" - FORM OF BOND

RESOLUTION AUTHORIZING ISSUANCE OF
\$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS
SERIES 2017

* * *

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS
COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (such act being hereinafter referred to as the "Act").

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to 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 rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); 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; 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 the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State of Texas, to issue its negotiable revenue bonds, as hereinafter provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the Member Districts of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and provisions for security and repayment thereof, hereinafter set forth in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth in this Resolution;
- (d) the issuance by the Authority of such bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part;
- (e) the Authority has heretofore issued its Revenue Bonds, Series 2008, in the original aggregate principal amount of \$22,050,000 (the "Series 2008 Bonds"), its Revenue Bonds, Series 2015, in the original aggregate principal amount of \$10,805,000 (the "Series 2015 Bonds"), and its Revenue Bonds, Series 2016, in the original aggregate principal amount of \$9,270,000 (the "Series 2016 Bonds"); and
- (f) as of the date hereof, there remains outstanding \$14,285,000 in aggregate principal amount of the Series 2008 Bonds, \$10,535,000 in aggregate principal amount of the Series 2015 Bonds, and \$9,270,000 in aggregate principal amount of the Series 2016 Bonds (collectively, the "Outstanding Bonds").

(End of Article One)

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein (except those set forth in EXHIBIT "A"), shall apply with equal force herein and in any amendment or supplement hereto:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge of and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds and the Outstanding Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, governmental body or governmental agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended, provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$26,550,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2017, initially dated as of November 1, 2017, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and between the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as amended and supplemented in that certain First Supplement to the Water Supply Contract, dated January 30, 2009, by and between the Authority and the City of Houston, as amended in that certain First Amendment to the First Supplement, dated January 22, 2013, by and between the Authority and the City of Houston, as amended and supplemented in that certain Second Supplement to the Water Supply Contract, dated February 25, 2015, by and between the Authority and the City of Houston, as amended and supplemented in that certain Third Supplement to the Water Supply Contract, dated November 10, 2015, by and between the Authority and the City of Houston, as amended and supplemented in that certain Fourth Supplement to the Water Supply Contract, dated November 10, 2015, by and between the Authority and the City of Houston, and as may be further amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund described and referred to in Section 7.01(b) hereof and used and administered pursuant to Sections 7.07 and Section 7.08 hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund described and referred to in Section 7.01(c) hereof and used and administered pursuant to Section 7.04 hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof and used and administered pursuant to Section 7.05 hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB, as printed, stamped, or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the SWIRFT (as hereinafter defined) account administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and ZB, National Association, dba Amegy Bank, Houston, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of certain of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by law or by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund described and referred to in Section 7.01(a) hereof and used and administered pursuant to Section 7.03 hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contributions from any federal, state or local governmental agency or authority, or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement to capital expenditures of or for the System; (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority; or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder or Holders.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.02 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District or Member Districts.

The term "Member District" or "Member Districts" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Amended and Restated Joint Facilities Agreement, dated November 6, 2013, by and between the Authority and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Authority, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, lease, option, reservation, conveyance, treatment, or supply of water which are deemed necessary by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to, payments under the City of Houston Contract, and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other general and administrative expenses of the Authority.

Outstanding Bonds.

The term "Outstanding Bonds" is defined in Section 1.04(f) hereof.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.05 of this Resolution.

Person.

Except as said term is otherwise specifically defined for purposes of Section 8.04 thereof, the term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority, including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance, condemnation and/or sale proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Project.

The term "Project" shall mean all works, plants, facilities, improvements, equipment, appliances, property or interests in property, and contract rights or other rights for the second phase expansion of the System, and all additions, modifications, reconstruction, repairs or extensions of the System in connection therewith, including (a) the purchase of certain rights to capacity in the

City of Houston's expansion of its Northeast Water Purification Plant constructed or to be constructed by the City of Houston, Texas under the City of Houston Contract (i.e., TWDB Project 51023); and (b) the purchase of certain rights to capacity in transmission facilities constructed or to be constructed by the North Harris County Regional Water Authority (i.e., TWDB Project 51009), all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts in accordance with the requirements of the Subsidence District's requirements for Area Three as defined by the Subsidence District's 2013 Regulatory Plan.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; all other costs and expenses directly relating to the foregoing, together with reasonable contingencies related to the foregoing; and the deposit to the Debt Service Fund, as provided under Section 8.01 hereof.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District); or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.04 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds, the Outstanding Bonds, and any Additional Bonds remaining outstanding at the time of such computation; provided, the average annual sum shall be calculated based only upon the number of whole or partial Fiscal Years in which such principal and interest are actually scheduled to become due.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Series 2008 Bonds.

The term "Series 2008 Bonds" is defined in Section 1.04(e) hereof.

Series 2015 Bonds.

The term "Series 2015 Bonds" is defined in Section 1.04(e) hereof.

Series 2016 Bonds.

The term "Series 2016 Bonds" is defined in Section 1.04(e) hereof.

Series 2008 Resolution.

The term "Series 2008 Resolution" shall mean the resolution of the Board of Directors of the Authority adopted on June 11, 2008, authorizing the issuance of the Series 2008 Bonds, and all amendments and supplements thereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for treated surface water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on revenues other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund described and referred to in Section 7.01(e) hereof and used and administered pursuant to Section 7.06 hereof.

System.

The term "System" shall mean all works, plants, facilities, improvements, equipment, appliances, property or interests in property, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights in and to certain capital improvements and/or capacity therein under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

SWIRFT.

The term "SWIRFT" shall mean the State Water Implementation Revenue Fund for Texas.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the SWIRFT and, where appropriate, means the

Executive Administrator, Fund Manager, or other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution 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 Resolution 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 Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Resolution is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREE

AUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2017", shall be issued in the aggregate principal amount of \$26,550,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act.

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, and shall be initially dated as of November 1, 2017. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond, and shall be completed with the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof. Each such Bond shall be dated as of November 1, 2017, shall include thereon the Delivery Date, and shall include in the certificate of registration the date of its authentication by the Registrar.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. The Bonds shall bear interest at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

[SCHEDULE COMMENCES ON FOLLOWING PAGE]

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
\$ 665,000	2019	0.760%
\$ 670,000	2020	0.840%
\$ 675,000	2021	0.940%
\$ 685,000	2022	1.080%
\$ 695,000	2023	1.210%
\$ 705,000	2024	1.320%
\$ 720,000	2025	1.450%
\$ 730,000	2026	1.550%
\$ 745,000	2027	1.640%
\$ 760,000	2028	1.820%
\$ 780,000	2029	2.020%
\$ 800,000	2030	2.200%
\$ 820,000	2031	2.380%
\$ 840,000	2032	2.480%
\$ 865,000	2033	2.560%
\$ 890,000	2034	2.620%
\$ 920,000	2035	2.670%
\$ 945,000	2036	2.720%
\$ 975,000	2037	2.750%
\$1,005,000	2038	2.800%
\$1,040,000	2039	2.930%
\$1,070,000	2040	2.950%
\$1,105,000	2041	2.950%
\$1,140,000	2042	2.950%
\$1,180,000	2043	3.030%
\$1,220,000	2044	3.030%
\$1,260,000	2045	3.020%
\$1,300,000	2046	3.020%
\$1,345,000	2047	3.020%

SECTION 3.04: DATES, MANNER, AND PLACE OF PAYMENT. Interest on the Bonds shall accrue from the later of the Delivery Date or the most recent Interest Payment Date to which interest has been paid or duly provided for, and shall be payable semi-annually on February 1 and August 1 of each year until the earlier of the Maturity Date or the optional Redemption Date, commencing on February 1, 2018. The amount of interest on the Bonds payable on each Interest Payment Date, Maturity Date or Redemption Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date Maturity Date, or Redemption Date, the Paying Agent shall compute the amount of interest to be

due and payable on such date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such date.

The payment of interest on the Bonds, except interest payment due on any Maturity Date or Redemption Date, shall be payable, (a) at the option and expense of the Authority by (i) check or draft mailed by the Paying Agent to the Holder, at the address shown on the Register, or (ii) wire transfer to the Holder; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of the Holder. The interest so payable will be paid to the Person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

The principal of the Bonds, together with accrued interest since the most recent Interest Payment Date, shall be payable only upon their presentation and surrender, on their respective Maturity Dates or on an earlier optional Redemption Date, at the principal trust office of the Paying Agent.

If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.05: MEDIUM OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates, Maturity Dates or Redemption Dates, is legal tender for the payment of debts due the United States of America.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, such Bonds, nevertheless, may be authenticated and delivered as though the Person who signed such Bonds had not ceased to be such officer of the Authority, and any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not affect the validity or enforceability of such Bond, if same has been duly registered by the Comptroller of Public Accounts of the State of Texas or authenticated by the Registrar, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each Maturity Date in Section 3.03 hereof, representing the entire principal amount of Bonds scheduled to mature on each such Maturity Date. The Initial Bonds shall be made payable to Cede & Co., as nominee for DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar, completed with the Delivery Date and registered on the Register in the name of Cede & Co., as nominee of DTC, by the Registrar, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB of the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder(s) may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bond(s) to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bond(s) are to be transferred and the Maturity Date(s) and principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Initial Bond a certificate of registration substantially in the form provided in Section 5.02 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond a Certificate of Registrar substantially in the form provided in Section 5.03 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Such Certificate of Registrar upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been duly authenticated, registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes, whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effective for all purposes and shall

discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain at its designated office a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer and exchange of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the office designated by the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name of the transferee or transferees one or more exchange Bonds of the same Maturity Date as the Bond so presented, in a like aggregate principal amount and of like interest rate as the Bond so presented, and shall deliver or mail same to the transferee or transferees by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the office designated by the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, in any authorized denomination which is an integral multiple of \$5,000, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate, register and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each exchange Bond duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond (a) on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, (b) during any period beginning fifteen (15) calendar days prior to, and ending on the day of the mailing of, notice to the Holders of a redemption of the Bonds pursuant to Article Four hereof, or (c) to the extent that such Bond has been selected for redemption, in whole or in part, pursuant to Article Four hereof when the Redemption Date in respect of such Bond is less than thirty (30) days prior to the actual presentation and surrender thereof for transfer or exchange.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall

authenticate, register and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is apparently lost, destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate, register and deliver, a replacement Bond of like tenor and effect, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated or apparently lost, destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. The Initial Bonds shall be registered in the name of Cede & Co., as nominee of DTC, pursuant to Section 3.07 hereof. Except as provided in Section 3.12 hereof, all transfer, exchange or replacement Bonds delivered subsequent to the Initial Bonds pursuant to the terms and provisions of this Resolution shall be likewise registered in the name of Cede & Co. or the then-designated nominee of DTC. Accordingly, the provisions of the Letter of Representation and DTC's Operational Arrangements, as incorporated

by the Letter of Representation, shall control to the extent of any conflict with the provisions of this Resolution and for so long as the Bonds are registered in DTC's book-entry only system.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Resolution. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and shall cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, and receipt of proper proof of the beneficial ownerships of the DTC Participants and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the

Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Holders transferring or exchanging Bonds shall designate, in accordance with such transfer or exchange instructions and the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Sections 3.09, 3.10, 3.11 or 3.12 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and/or Registrar and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of cancellation and/or destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOUR

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2028, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on February 1, 2028, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus-unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same Maturity Date are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal amount of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate, register and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.03: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions within a maturity, the respective principal amounts of the Bonds to be redeemed in each maturity, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.04: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds, or the portions thereof so called for redemption, shall be terminated.

(End of Article Four)

ARTICLE FIVE

FORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Resolution shall be in substantially the form specified in EXHIBIT "A" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Resolution.

SECTION 5.02: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in EXHIBIT "A" attached hereto.

SECTION 5.03: CERTIFICATE OF REGISTRAR. The following form of Certificate of Registrar shall be printed on the face of or attached to each of the Bonds authenticated and delivered subsequent to the Initial Bonds:

CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Bonds issued under the provisions of the within-mentioned Resolution, and it is hereby further certified that this Bond has been authenticated, registered and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

_____, Registrar

Dated: _____

By: _____
Authorized Signature

[END OF FORM]

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in EXHIBIT "A" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be, but is not required to be, printed on or attached to the Initial Bonds and any exchange Bonds and certified by the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Resolution. An original of such opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIX

SECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of the Outstanding Bonds and any Additional Bonds. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds, the Outstanding Bonds, and any Additional Bonds have been paid in full, as to both principal and interest, at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project Bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (a) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project; (b) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds, the Outstanding Bonds, and any Additional Bonds, when and as the same shall become due and payable; (c) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds, the Outstanding Bonds, and any Additional Bonds, when and as the same shall become due and payable; and (d) fulfill the terms, agreements and covenants made with the Holders of the Bonds, the Outstanding Bonds, and any Additional Bonds-and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds, the Outstanding Bonds, and any Additional Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds, the Outstanding Bonds, and any Additional Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties, in similar locations, under similar circumstances, with a responsible insurance company or companies against risks, accidents or casualties against, and in an amount which is customarily carried by, such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance with respect to such portion of the Project. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the Project or any portion of the Project, the Authority covenants that to the extent feasible and practicable, it will apply any proceeds of such insurance policies covering such loss or damage to the reconstruction or repair of the Project or such portion of the Project, and any excess insurance proceeds remaining after the completion of such improvements shall first be deposited into the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority. If it is not feasible or practicable for such improvements to be reconstructed or repaired, such insurance proceeds shall first be deposited into the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority.

To the extent that the Project or any portion of the Project shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for such taking, upon receipt by the Authority, shall first be deposited to the credit of the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVEN

REVENUES AND APPLICATION THEREOF

SECTION 7.01: CONFIRMATION OF FUNDS. The creation, establishment and use of the following funds pursuant to the Series 2008 Resolution is hereby adopted and confirmed as a part hereof, as if set forth in full herein, and same shall continue in force and effect so long as this Resolution remains in effect:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided herein. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds, the Outstanding Bonds, and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority, as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority identified in Section 7.01 hereof, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds, the Outstanding Bonds, or any Additional Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds, the Outstanding Bonds, and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds, the Outstanding Bonds, or any Additional Bonds remain outstanding, and after making the deposits required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues, an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount.

If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds, the Outstanding Bonds, and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds, the Outstanding Bonds, or any Additional Bonds to mature or to be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove (and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, the Outstanding Bonds, and any Additional Bonds), may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall

not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund or any earnings thereon constitute Pledged Revenues or be, remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.01 and Section 8.02 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that a final accounting of Eligible Project Costs shall be provided to the TWDB. If the Project shall be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, such excess and unused proceeds on deposit in the Construction Fund and the Escrow Fund shall be used for the following purposes as and if approved by the Executive Administrator of the TWDB in writing (a) deposit into the Debt Service Fund or other interest and sinking fund created for the payment of the interest on and principal of any of the Authority's bonds, notes or other obligations earned or held by the TWDB; or (b) payment of other eligible costs for the Project or the System as approved by the Executive Administrator of the TWDB. In determining the amount of available funds for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were

initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHT

APPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: DEPOSIT TO DEBT SERVICE FUND AND DEBT SERVICE RESERVE FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$1,266,492.00 representing twenty-four (24) months of capitalized interest on the Bonds, shall be deposited into the Debt Service Fund. Proceeds from the sale and delivery of the Bonds in the amount of \$1,165,297.00 shall be deposited into the Debt Service Reserve Fund. The remaining proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds, as and if approved by the TWDB prior to the Delivery Date and in such amounts as approved by the TWDB, representing Eligible Project Costs, shall be deposited into the Construction Fund on the Delivery Date. Proceeds from the sale and delivery of the Bonds, as and if approved by the TWDB prior to the Delivery Date and in such amounts as approved by the TWDB, representing the estimated costs of issuance of the Bonds, shall also be deposited into the Construction Fund on the Delivery Date. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds as provided in Section 7.08 hereof.

SECTION 8.03: DEPOSIT TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.04: TAX COVENANTS. For purposes of this Section 8.04 only, the term "Net Proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "Person" includes any individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to Persons other than natural persons, means any activity other than an activity carried on by a governmental unit.

The Authority covenants that it shall make such use of the Net Proceeds of the Bonds, regulate investments thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to assure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

- (a) The Authority will not use the proceeds of the Bonds, directly or indirectly, in a manner that would cause the Bonds or any portion thereof to be a "private activity bond", within the meaning of Section 141 of the Code and the Regulations;

- (b) The Authority has not permitted and will not permit more than ten percent (10%) of the Net Proceeds of the Bonds to be used in the trade or business of any Person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds");
- (c) The Authority has not permitted and will not permit more than five percent (5%) of the Net Proceeds of the Bonds to be used in the trade or business of any Person, other than a governmental unit, if such use is unrelated to the governmental purpose of the Bonds; and further, the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the Net Proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;
- (d) The principal of and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;
- (e) The Authority has not permitted and will not permit an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the Net Proceeds of the Bonds to be used, directly or indirectly, to finance loans to Persons other than governmental units;
- (f) The Authority will not use the proceeds of the Bonds in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond", within the meaning of Section 148 of the Code or otherwise in any manner which would cause the Bonds to violate the provisions of Section 149(d) of the Code;
- (g) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the payment of the Bonds, other than amounts not subject to yield restriction because of their deposit in a reasonable required reserve and replacement fund (such as the Debt Service Reserve Fund) or a bona fide debt service fund (such as the Debt Service Fund), and will restrict the yield on such investments to the extent required by the Code or the Regulations; further, without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on (i) all Net Proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund, Debt Service Reserve Fund, Construction Fund, and Escrow Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion), and (ii) all investment earnings on hand on a date that is three (3) years from the date of delivery of the Bonds or one (1) year from the date such investment proceeds are received, whichever is later, to a yield which is not materially higher than the yield on the bonds issued by the TWDB to purchase the Bonds (in both cases calculated in accordance with the Code and the Regulations);

- (h) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations within the meaning of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code);
- (i) To the extent applicable and required by the Code and the Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate not less often than required by applicable federal law and the Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than required by applicable federal law and the Regulations, all amounts required to be rebated to the federal government; and 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 Bonds that might result in a smaller profit or larger loss than would have resulted if the arrangement has been at arm's length and had the yield on the issue not been relevant to either party; and
- (j) The Authority will timely file a statement with the federal government setting forth the information required pursuant to Section 149(e) of the Code.

For purposes of the foregoing (a) and (b), the Authority understands that the term "Net Proceeds" includes "disposition proceeds", as defined in the Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Authority that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the United States Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Authority will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Authority agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In furtherance of such intention, the Authority hereby authorizes and directs the President or Vice President of the Board of Directors of the Authority to execute

any documents, certificates or reports required by the Code and to make such elections, on behalf of the Authority, which may be permitted by the Code and are consistent with the purposes for the issuance of the Bonds. Furthermore, all officers, employees and agents of the Authority are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Authority as of the date the Initial Bonds are delivered and paid for, and any such certifications may be relied upon by Bond Counsel, by the Holders of the Bonds, and by any Person interested in the exclusion of interest on the Bonds from gross income for federal income tax purposes. Moreover, the Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of proceeds thereof, and take such other and further actions as may be required to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

SECTION 8.05: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS. The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2017, including the Bonds, will exceed \$10,000,000.

For purposes of this Section 8.05, the term "tax-exempt obligation" does not include "specified private activity bonds" within the meaning of Section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. In addition, for purposes of this Section 8.05, the Authority includes all governmental units of which the Authority is a "subordinate entity" and governmental units which are "subordinate entities" of the Authority, within the meaning of Section 265(b)(3)(E) of the Code.

SECTION 8.06: ALLOCATION OF EXPENDITURES; LIMITATIONS. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within eighteen (18) months of the later of the date that (a) the expenditure is made, or (b) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall make such allocation in any event by the date that is sixty (60) days after the earlier of (a) the fifth anniversary of the delivery of the Bonds, or (b) the date the Bonds are retired. For purposes of determining compliance with this covenant, the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the Authority will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. The Authority will maintain records and documentation regarding the allocation of expenditures to proceeds of the Bonds and the investment of gross proceeds of the Bonds for at least six years after the close of the final calendar year during which any Bond is outstanding.

SECTION 8.07: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project, to the extent purchased, constructed or otherwise acquired with the proceeds of the Bonds, will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the

Authority will not adversely affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINE

AMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (a) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or;
- (b) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, unless expressly authorized by the Resolution, no change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of

the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority reserves the right to issue bonds or other obligations in any manner permitted by law to refund or defease the Bonds, the Outstanding Bonds, or any Additional Revenue Bonds at or prior to their respective dates of maturity or redemption.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TEN

BONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect such Pumpage Fees and Service Fees as may be ample and sufficient to provide for full and timely payment of the Bonds, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVEN

CONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12 and any regulations promulgated thereunder, all as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "Significant Participant" means and includes any Participant, other than the Authority, which has paid or is obligated to pay Pumpage Fees, Service Fees, or other charges or revenues to the Authority aggregating at least twenty percent (20%) of the Gross Revenues of the Authority, as reflected by the most recently completed annual audit of the Authority commissioned pursuant to Section 12.12 hereof.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six (6) months after the end of each Fiscal Year, financial information and operating data with respect to the Authority and each Significant Participant, but only if, as, when and to the extent actually received by the Authority, of the general type included in the Authority's application to the TWDB for financial assistance prepared in connection with the Bonds. Any financial statements to be so provided shall be (a) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality, the TWDB and/or any successor agency, or such other accounting principles as the Authority may be required to employ from time to time pursuant to applicable law or regulatory requirement, and (b) audited, if the Authority and/or a Significant Participant commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide such audited financial statements for the applicable Fiscal Year to the MSRB when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify the MSRB 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 Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02

may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. The Authority shall notify the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein. All documents provided to the MSRB pursuant to this Section 11.02 shall be accompanied by such identifying information as may be prescribed by the MSRB.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) Business Days after occurrence, of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material within the meaning of the federal securities laws;
- (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, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds, if material within the meaning of the federal securities laws;
- (h) Calls for redemption of the Bonds, if material within the meaning of the federal securities laws, and tender offers;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event(s) of the Authority or a Significant Participant;
- (m) The consummation of a merger, consolidation, or acquisition involving the Authority or other Significant Participant or the sale of all or substantially all of the assets comprising the Project or the sale of all or substantially all of the assets of a

Significant Participant, 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 action, other than pursuant to its terms, if material within the meaning of the federal securities laws; and

- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS. (a) 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 Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be regarded as outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners of the Bonds, within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon 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, conditions or prospects of the Authority or any Significant Participant, nor does the Authority 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 to sell Bonds at any future date.

(c) UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR IN 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 IN TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH, SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE AUTHORITY AGREES TO USE REASONABLE DILIGENCE TO OBTAIN FROM EACH SIGNIFICANT PARTICIPANT THE INFORMATION IT HAS AGREED HEREIN TO PROVIDE; PROVIDED, HOWEVER, THE AUTHORITY SHALL, IN ITS SOLE DISCRETION, DETERMINE WHETHER TO INSTITUTE OR PURSUE LEGAL OR ADMINISTRATIVE PROCEEDINGS TO COMPEL THE FURNISHING OF ANY REQUIRED INFORMATION TO THE AUTHORITY.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Should the Rule be amended to obligate the Authority to make filings with or provide notices to entities other than the MSRB, the Authority hereby agrees to undertake such obligations with respect to the Bonds in accordance with the Rule as amended.

(g) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority or any Significant Participant, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding 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 Holders of the Bonds and any beneficial owners of the Bonds, within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule, or if any 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 any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority 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.

(End of Article Eleven)

ARTICLE TWELVE

MISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS.

The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH TWDB REQUIREMENTS. (a) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the Authority shall (i) develop, implement and maintain a water conservation program relative to the System which is consistent with applicable rules, regulations and requirements of the TWDB and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB, and (iii) comply with any and all provisions specified and contained in Resolution Nos. 15-078 and 17-081 approved by the TWDB in connection with the issuance of the Bonds, and (iv) comply with and abide by all other applicable rules, regulations and requirements of the TWDB relative to the Project.

(b) The Authority covenants and agrees that proceeds from the sale of the Bonds shall never be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site(s), and, to the extent permitted by law, agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport and/or removal 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 the Project.

(c) The Authority covenants and agrees to report to the TWDB the use of proceeds of the Bonds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with Section 363.42(c)(1) of Title 31, Texas Administrative Code, as amended.

(d) The Authority covenants and agrees that neither the Authority nor a party related to the Authority will acquire any tax-exempt bonds, notes or other obligations of the TWDB, the proceeds of which were used by the TWDB to acquire the Bonds from the Authority, in an amount related to the amount of the Bonds acquired or to be acquired from the Authority by the TWDB.

(e) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the Authority shall provide the TWDB with written notice thirty days prior to (i) the proposed passage and adoption of an amendment to this Resolution without obtaining the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding, to the extent authorized under Section 9.01 hereof, or (ii) the proposed issuance of any Additional Bonds by the Authority.

(f) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the TWDB may exercise all remedies available to it in law or equity and any provisions hereof that restricts or limits the TWDB's full exercise of such remedies, including but not limited to the provisions of Section 10.01 hereof, shall be of no force or effect.

(g) That certain Private Placement Memorandum, of even date herewith, relating to the sale, issuance and delivery of the Bonds to the TWDB is hereby approved and authorized to be delivered to the TWDB on the Delivery Date.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: REGISTRAR. The initial Registrar in respect of the Bonds shall be ZB, National Association, dba Amegy Bank, Houston, Texas. The Authority will maintain at least one (1) Registrar in the State of Texas where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to approve, execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as she or he may deem necessary and appropriate.

SECTION 12.05: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be ZB, National Association, dba Amegy Bank, Houston, Texas. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent and Registrar services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain in the State of Texas at least one (1) Paying Agent, who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which a combined capital and surplus of at least \$25,000,000, and is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to

change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to approve, execute and deliver, for and on behalf of the Authority an agreement for Paying Agent services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as he or she may deem necessary and appropriate.

SECTION 12.06: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligations to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, §1207.001 et seq., Texas Government Code, as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders or beneficial owners of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders or beneficial owners of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent

jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants in compliance with generally acceptable accounting practices, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Resolution and other documentation required in connection herewith and with the issuance of the Bonds.

SECTION 12.16: ISSUANCE OF BONDS UNDER CERTAIN TERMS AND CONDITIONS. The Bonds shall be issued upon and subject to the further terms and conditions contained in the Series 2008 Resolution, which shall apply with equal force to the Bonds as if set forth fully herein; provided, however, that where the provisions of the Series 2008 Resolution are inconsistent or in conflict with the terms and provisions of this Resolution, the terms and provisions of this Resolution shall govern.

(End of Article Twelve)

ARTICLE THIRTEEN

SALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds. It is hereby further found and declared that the terms of the sale of the Bonds are in the Authority's best interests.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following such approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEEN

OPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time, on October 11, 2017, and that a sufficient written notice of the date, hour, place and subject of such meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was duly and timely posted and/or furnished for posting to the County Clerk of Harris County, Texas, for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Chapter 49, Texas Water Code, as amended, and that such meeting was open to the public, as required by law, at all times during which this Resolution and the subject matter hereof was discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage and adoption.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

PASSED AND ADOPTED this 11th day of October, 2017.

/s/ Margaret L. Cox

President, Board of Directors

ATTEST:

/s/ David Granadino

Secretary, Board of Directors

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF BOND)

REGISTERED NUMBER IR-__ ¹	UNITED STATES OF AMERICA STATE OF TEXAS	REGISTERED AMOUNT \$_____
--	--	---------------------------------

\$26,550,000
CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY
REVENUE BOND
SERIES 2017

Interest Rate:	Maturity Date:	Initial Date:	Delivery Date:	CUSIP No.:
_____%	August 1, ____	November 1, 2017	_____	_____

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

_____ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the Delivery Date specified above, or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable on February 1, 2018, and semi-annually thereafter on August 1 and February 1 (each an "Interest Payment Date") of each year until the maturity or optional redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on October 11, 2017 (the "Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal and interest payments in respect of this

¹ For any Bond registered and delivered by The Registrar in exchange for an Initial Bond, substitute "R" for "IR".

Bond shall be payable in any coin or 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. Principal of and interest on this Bond due at maturity or upon prior optional redemption shall be payable, upon presentation and surrender of this Bond, at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Except at maturity, interest payments in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer from the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be ZB, National Association, dba Amegy Bank, Houston, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating TWENTY-SIX MILLION FIVE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$26,550,000.00) in principal amount, issued for the purpose or purposes of paying or making provision for the payment of Project Costs, as defined in the Resolution and the costs of issuance, sale and delivery of the Bonds, pursuant to the Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT, AT ITS OPTION, TO REDEEM the Bonds of this issue maturing on or after August 1, 2028, prior to their scheduled maturities, in whole or, from time to time, in part, in inverse order of their stated maturities on February 1, 2028, or on any date thereafter, at a price equal to the principal amount to be redeemed, plus accrued interest thereon to the date fixed for redemption. Under certain circumstances described in the Bond Resolution, the Bonds may be subject to mandatory redemption, in whole or in part, in inverse order of their stated maturities. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, if different than the Registrar, in writing, of the Bonds selected

for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2017.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain groundwater users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Resolution; proceeds received from any insurance settlement, condemnation award, or sale of properties comprising a part of the Project, as described in the Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Resolution. Neither the State of Texas nor any

other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as, hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Resolution, this Bond shall not be entitled to the benefit and security of the Resolution nor be valid or obligatory for any purpose.²

² For any exchange Bond, delete the foregoing paragraph in its entirety and substitute the following paragraph:

"UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Registrar has been manually executed by the authorized representative of the Registrar, as provided in the Resolution, this Bond shall not be entitled to the benefit and security of the Resolution nor be valid or obligatory for any purpose."

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

(SEAL)

CERTIFICATE OF REGISTRATION³

OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the Central Harris County Regional Water Authority, and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,

_____.

Comptroller of Public Accounts
of the State of Texas

³ For any exchange Bond, the form of Certificate of Registrar set forth in Section 5.03 of the Resolution shall be substituted for the Comptroller's Certificate of Registration.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number): _____
the within Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Registered Owner

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

(Bank, Trust Company, or Brokerage Firm)

By: _____
(Authorized Representative)

Municipality

Is the area to be served by the project within the service area of a municipality or other public utility?: Y

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?: N

If no, provide an explanation as to why not.: The CHCRWA was created for the purpose, among others, of implementing and enforcing a groundwater reduction plan so that its Member District's achieve and maintain compliance with the Harris-Galveston Subsidence District's ("HGSD") regulatory requirements. The facilities constructed in their project are essential to the CHCRWA's ability to meet the HGSD's mandates, please see Attachment Part A1 for a copy of the CHCRWA's enabling legislation.

NoObjectionAffidavit N/A

Board Approved WCP

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.): Y

Enter date of Applicant's WCP adoption: 2014-05-01 00:00:00.0

WATER CONSERVATION
AND
DROUGHT CONTINGENCY PLAN

FOR THE

CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY
HOUSTON, TEXAS

PREPARED BY:



13333 Northwest Freeway, Suite 300
Houston, Texas 77040
713-462-3178 – Telephone
713-462-1631 – Fax

May 1, 2014

**WATER CONSERVATION
AND
DROUGHT CONTINGENCY PLAN**

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APPENDICES

Appendix A – Drought Contingency Plan

Appendix B – Resolution Adopting Water Conservation & Drought Contingency Plan & Regulations Pertaining to the Adoption of Water Conservation Plans by Member Districts of the Authority

Appendix C – Authority Map

ABBREVIATIONS

MG – Million Gallons

MGD – Million Gallons per Day

MGY – Million Gallons per Year

I. INTRODUCTION

The Central Harris County Regional Water Authority (“Authority”) of Harris County was created by House Bill Number 3181 of the 79th Legislature of the State of Texas, Regular Session, 2005. The purpose of the Authority is to prepare and implement a plan to construct and operate the necessary public water transmission facilities to convert an area in central Harris County, Texas from groundwater to surface water. The Authority is expressly authorized to purchase, own, hold, lease and maintain pipelines for the transportation of water, to build and operate plants for the treatment and distribution of water, to purchase from and sell water to towns, cities, conservation and reclamation districts and other political subdivisions of the State of Texas, or to private corporations and individuals. The Board of Directors has the managing control and operation of the Authority’s system. Three members of the Board of Directors are elected by precincts comprised of one or more districts. Two members are elected at-large.

The Authority boundary includes all the acreage encompassed by the Member Districts (as defined in the above legislation creating the Authority) and is estimated at 4,800 acres. The Member Districts are in Regulatory Area III of the Harris-Galveston Coastal Subsidence District that permits their water wells.

The Authority will provide wholesale treated surface water to connected Member Districts. The Authority will operate a surface water transmission and distribution system (“the system”) in order to meet the Harris Galveston Subsidence District (“HGSD”) mandates for surface water conversion by the Member Districts through ultimately providing an overall 80 percent surface water usage rate among the Member Districts. Surface water is purchased from the City of Houston and is conveyed to certain Member Districts water plant facilities by way of the System.

II. UTILITY EVALUATION

A. WATER SUPPLY AND TRANSMISSION SYSTEM INFORMATION

1. Population of Service Areas (Estimated): 26,000
2. Area of Service Areas: 4,800 acre
3. Water Production and Sales Information
 - a) Water supplied during the last year (2006) – 1,672 MG
 - b) Avg. water supplied for last two years (2005 - 2006) – 1,667 MG
 - c) Monthly water sales by user for last year (2006) – See Table 1

TABLE NO. 1

2013 Total Water Usage (MG)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
HCMUD 33	17203	15487	17932	17199	20042	20621	22273	25751	22212	20453	18510	17591
HCMUD 150	19539	13560	23114	22027	29231	23947	26293	28795	24474	22206	20565	21671
HCMUD 217	4653	3304	5585	5538	6770	6966	7301	7904	6490	5445	5525	1844
HCMUD 304	11816	11815	14337	15222	18318	18698	20225	21525	17186	13650	12009	11243
FALLBROOKUD	19533	18284	20648	19560	21219	23033	23074	27132	26017	20162	19523	20709
HCMUD 200	30433	27145	32240	31566	37545	35504	37325	43879	37911	32602	30040	33711
HCMUD 205	0	0	0	0	0	0	0	0	0	0	0	0
Rankin Rd MUD	3673	3546	4853	5122	6738	6946	7523	7631	6455	5284	4650	1249
HCMUD 399	0	0	0	0	0	0	0	0	0	0	0	0
HCMUD 215	4173	3888	4150	4094	4340	4679	5336	5111	4732	5016	6033	5952
HCUD 16	7570	6716	8976	9119	10962	11902	12643	13178	10913	8659	1704	0

d) Highest average daily water use on record for system – 1.488 MGD

e) Peak daily use for the last year 2.232 MGD

4. Number and type of meter connections in service area: 11 – Public Entity

5. Net gain of new connections per year

N/A – Residential N/A – Commercial

6. Source of Water: City of Houston

7. Safe annual yield of water supply: Not Applicable

8. Design capacity of water system: 7.5 MGD

9. Major high volume customers

<u>Name</u>	<u>Quantity (MGY)</u>
1. HCMUD 33	235,274
2. HCMUD 150	280,659
3. Fallbrook UD	258,894
4. HCMUD 200	409,901

B. UTILITY FINANCIAL OPERATIONS INFORMATION

1. Water rate structures

Effective as of July 1, 2013 the Authority assesses a pumpage fee of \$1.56 per 1000 gallons for groundwater and \$1.90 per 1000 gallons for surface water to all Member Districts based on total water pumped. The fee is also assessed on imported groundwater.

2. Sources revenue:

Percent of Annual Revenues from water rates – 100% (assuming is importation fee revenue)

3. Annual Operating Costs

- a) Average Annual Operating Costs - \$500,000
- b) Percent of Average Annual Operating Cost that are Fixed Cost – 94%
- c) Percent of Average Annual Operating Costs that are Variable – 6%

C. OTHER APPLICABLE INFORMATION

1. Applicable local regulations relating to Water Conservation and Drought Contingency Planning.

- City of Houston Drought Contingency Plan
- Water Supply Contract by and among the Authority and the City of Houston.
- HGSD Water Wise Program - Eight of the Member Districts participate in the AWBD Water Smart Program.

2. Information on Member Districts: See TABLE No. 2

TABLE NO. 2

Member Districts

Fallbrook UD c/o Abraham Rubinsky Schwartz Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	Rankin Road West MUD c/o Taylor Goodall Smith, Murdaugh, Little & Bonham, LLP 2727 Allen Parkway, Suite 1100 Houston, TX 77019
Harris County MUD 150 c/o Kara Richardson Marks Richardson, PC 3700 Buffalo Speedway., Suite 830 Houston, TX 77098	Harris County MUD 215 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
Harris County MUD 217 c/o Maria Salinas Parker Sanford & Kuhl 1980 Post oak Blvd., Suite 1380 Houston, TX 77056	Harris County MUD 200 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
Harris County MUD 304 c/o Mitchell Page Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	Harris County MUD 205 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056

Harris County MUD 33 c/o Regina Adams Johnson, Radcliffe, Petrov & Bobbitt, PLLC 1001 McKinney St., Suite 1000 Houston, TX 77002	Harris County UD 16 c/o David M. Marks Marks Richardson, P.C. 3700 Buffalo Speedway., Suite 830 Houston, TX 77098
Harris County MUD 399 c/o Peter T. Harding Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	

III. PUBLIC INVOLVEMENT

A. Public at Large

The Authority holds regular board meetings once each month. Directors meet the first Wednesday of each month. These meetings are open to the public and anyone is free to speak to the Board of Directors.

IV. WATER CONSERVATION PLAN

A. EDUCATION AND INFORMATION

The Authority will promote water conservation by informing the public of ways to conserve water. The following methods will be used to inform water users.

1. The Authority will make its Member Districts aware that water conservation material is available from the TWDB and the HGSD.
2. The Authority will provide an annual water conservation message to its Member Districts.

Information obtained from various regulatory agencies will be used as the basis for public education as well as pre-printed brochures from:

Texas Water Development Board
P. O. Box 13231, Capital Station
Austin, Texas 78711-3231

B. PLUMBING CODE – NOT APPLICABLE

C. RETROFIT PROGRAM – NOT APPLICABLE

D. WATER RATE STRUCTURE

The rate structure will be based on a formula included in the rate order to be adopted by the Authority on or before completion of the System.

E. METERING

The AUTHORITY will meter 100% of the water sold. Incorporated into the Water Conservation Plan, the Authority will set up the following meter testing schedule:

- Authority Delivery Meters – Calibrated annually.
- City of Houston Delivery Point Meters - Calibrated annually.
- Water well meters - Calibrated annually.

The Authority will engage the services of an operating company (the “Operator”) which will use a computer billing system handle all of the billing. The billing system will compare meter readings monthly and note dramatic changes.

F. WATER CONSERVATION LANDSCAPING – NOT APPLICABLE

G. LEAK DETECTION AND REPAIR

The Authority leak detection program includes:

- Electronic Surveillance – Monitor the quantity of water purchased from the City of Houston compared with the quantity sold to the Member Districts.
- Leak Detection and Location Program – visual inspection by Operator employees to watch for abnormal conditions indicating leaks (i.e. sink holes, flowing water, etc.).
- Maintain an adequate and qualified maintenance staff, which is available to repair leaks as they are located or perform corrective measures.
- Monthly water use accounting by the billing computer system, which identifies high water use for service meters indicating possible leaks or malfunction.
- Water Accountability – Achieve less than 5% water loss through application of the above steps.

H. RECYCLING AND REUSE

The Authority will have no means to recycle or reuse water. There are no customers at this time that would be able to recycle water.

I. IMPLEMENTATION AND ENFORCEMENT – NOT APPLICABLE

J. DISTRIBUTION SYSTEM AND/OR RESIDENTIAL PRESSURE CONTROLS - NOT APPLICABLE

V. DROUGHT CONTINGENCY PLAN

A. INTERRUPTED SUPPLY STRATEGY

The rate order adopted by the Authority requires Member Districts to maintain water wells in operation to augment or provide water supply in the case of an interrupted supply from the System.

B. LIMITS ON WATER SUPPLY

1. If the City of Houston restricts the Authority to less than 100% of its contracted water supply the Authority has:
 - a) The right to limit water supply to each Member District directly proportional to the City restriction.
 - b) The right to limit water supply to each Member District considering Member District alternative sources of water supply, such as wells and interconnects.
2. If the water supply from the City is suspended each Member District is responsible to meet its own demands by alternative sources such as wells and/or interconnects.
3. See also Texas Water Code, Section 11.039.

C. EMERGENCY MANAGEMENT

Each Member District is required by TCEQ rules to adopt a Drought Contingency Plan. By implementing their plans the reduction of demand would be directly reflected in Authority demand in the event of drought conditions.

D. CONTRACTUAL SURCHARGES

If the City imposes a surcharge on water delivered to the Authority as a part of its Drought Contingency Plan, the Authority will limit its supply to Member Districts so as to avoid or minimize the impact of the surcharge.

E. DROUGHT CONTINGENCY PLAN - APPENDIX A

F. DROUGHT CONTINGENCY PLAN ADOPTION - APPENDIX B

APPENDIX A

APPENDIX A

DROUGHT CONTINGENCY PLAN

DROUGHT CONTINGENCY PLAN

Section 1: Purpose of the Plan. The board of Directors (the “Board”) of Central Harris County Regional Water Authority (the “Authority”), has carefully considered the current water conditions in the Authority and has determined that the adoption of this Drought Contingency Plan (the “Plan”) by the Authority is necessary to ensure that an adequate supply of water is maintained. The Board also desires to provide in the Plan for the possibility of a natural disaster or equipment failure.

Section 2: Water from the City; City Reductions. The Authority receives water from the City of Houston (“City”). The Authority shall consult with the City in order to respond appropriately to the City’s Drought Contingency Plan for reductions in water supply. Also in such case, if the City implements drought response stages pursuant to its drought contingency plan, the Authority will evaluate implementing its drought response stages and evaluate the need to discourage excessive use of water in an effort to reduce the use of water.

Section 3: Education and Information. The Authority will engage in an educational program to promote the Plan which may include any of the following:

- A. Distribution of information regarding the plan to Member Districts of the Authority; and
- B. Direct distributions of educational and informational material regarding the Plan to customers of the Member Districts; and
- C. Additional educational activities consisting of (i) publishing articles in a newsletter of general circulation in the Authority’s service area, providing tips or information on water saving techniques, or (ii) conducting an informational school program in a school attended by students within the Authority’s service area, or (iii) conducting an educational program at a public place within accessible to residents of the Authority, or (iv) conducting or engaging in such other informational or educational activity designed to further the Plan as, in discretion of the Board, may be consistent with the purposes and policies of this Plan, or (v) any combination of the foregoing.

Section 4: Retrofit Educational Program. The Authority shall make information regarding the Plan available to Member Districts to provide to its customers

purchasing and installing various plumbing fixtures, lawn watering equipment, and other water-using appliances.

Section 5: The Drought Contingency Plan.

- A. Public Involvement. The Authority shall actively inform its Member Districts, and affirmatively provide the opportunity for input from them regarding the Plan.

- B. Trigger Conditions. For the purpose of this Plan, the Authority hereby adopts the trigger conditions (the “Trigger Conditions”) set forth below, which are based on study and/or statistical analysis of the vulnerability of water sources under “drought of record” conditions. These Trigger Conditions are for the purpose of responding to, but not limited to, the following situations: (a) reduction in available water supply up to a repeat of the drought of record; (b) water production or distribution system limitations; (c) supply source contamination; or (d) water system outage due to the failure or damage of major water system components (e.g, pumps).
 - 1. Mild Drought. This condition (herein, “Mild Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds eighty percent of the production capacity of such facilities for 3 consecutive days, as determined by the Authority’s operator.

 - 2. Moderate Drought. This condition (herein, “Moderate Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds ninety percent of the production capacity of such facilities for 3 consecutive days, as determined by the Authority’s operator.

 - 3. Severe Drought. This condition (herein, “Severe Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds one hundred percent of the production capacity of such facilities for 24 hours, as determined by the Authority’s operator.

- C. Notice. Once one of the above Trigger Conditions has occurred, Member Districts will be notified that such Trigger Condition has occurred and of the Drought Response Measures (as defined below) to be taken. The process of notifying Users may include any of the following:
 - 1. Mailing, at least 48 hours prior to the commencement of the required Drought Response Measures, a written notice to each Member District; and

 - 2. Posting notices at public places in the Authority.

Any notice issued shall contain (i) the date the Drought Response Measures will begin, (ii) the date the Drought Response Measures will terminate, if known, (iii) a list of Drought Response Measures to be implemented, and (iv) an explanation of penalties for violations of such Drought Response Measures.

D. Emergency Management Program. The Authority hereby establishes and adopts the following measures (“Drought Response Measures”) for the respective Trigger Conditions. The Drought Response Measures related to each Trigger Condition shall automatically become effective and shall be implemented by the Authority when Trigger conditions occurs.

1. Mild Drought. In the event of Mild Drought Conditions, the following Drought Response Measures shall be taken:

- a. Member Districts will be asked to take actions to voluntarily reduce water use and will be informed of specific steps that can be taken to reduce water use.

2. Moderate Drought. In the event of Moderate Drought Conditions, the following Drought Response Measures shall be taken.

- a. The Drought Response Measures established for Mild Drought Conditions shall continue to be implemented.

- b. The Authority shall recommend that the following water use by any customers of its Member Districts not essential for public health and safety be curtailed:

- (1) Street washing;
- (2) Fire hydrant flushing; and
- (3) Filling of swimming pools.

3. Severe Drought. In the event of Severe Drought Conditions, the following Drought Response Measures shall be taken:

- a. The Drought Response Measures established for Mild Drought Conditions and Moderate Drought Conditions shall continue to be implemented.

- b. Consistent with the City of Houston’s Drought Contingency measures, the Authority is authorized to ration water to Member Districts.

- E. Termination of Trigger Conditions Notification. When a Trigger Condition occurs, the Authority shall enforce the Drought Response Measures applicable to such Trigger Conditions for a minimum of five (5) days after the last day the demand on the Authority's water supply facilities reaches or exceeds the limits of such Trigger Conditions. After such five (5) day period, the Drought Response Measures prescribed may, in the discretion of the Board, be continued for an additional five (5) day period. After the expiration of ten (10) days, and assuming no other Trigger Conditions have occurred, the Drought Response Measures prescribed shall terminate and the Authority shall cease implementation and enforcement of such measures. The Authority will notify Member Districts of the termination of the particular Drought Response Measures and may utilize the same manner of notification used to inform Member Districts of the Occurrence of the Trigger Condition and implementation of the Drought Response Measures.

Section 6: Emergency Contingency Plan. In the event of a fire, flood hurricane, lighting strike, tornado, windstorm, or any other act of God, riot, terrorist act, or any other act of civil disobedience, or any other similar occurrence which results in the inability of the Authority to provide potable water to Member Districts (or the likelihood thereof), the Board, in its discretion, may, without prior notice, invoke all or any of the Drought Response Measures set forth in this Plan as "Emergency Response Measures". The Board may establish any of the penalties set forth in Section 8 for violations of the Emergency Response Measures.

Section 7: Implementation. 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 Authority's operator shall report to the Board of the Authority, at meetings of the Board, regarding actions taken and which need to be taken under this Plan. Without limiting the foregoing, the Authority's operator shall advise the President of the Board (or if the President is unavailable to receive notification, another member of the Board) as soon as reasonably practicable when a particular Trigger Condition has been reached under this Plan and when a particular drought condition no longer exists.

Section 8: Variances.

- A. Policy: The Authority may, in writing, grant a temporary variance to rationing or pro rata water allocation policies adopted pursuant to this Plan, or a temporary variance to a provision in the Plan, if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the public health, welfare, or safety and if one or more of the following conditions are met:

1. Compliance with this Plan cannot be technically accomplished during the duration of water supply shortage or other condition for which the Plan is in effect.
2. Alternative methods can be implemented which will achieve the same level of reduction in water use.

B. Petition: Persons requesting an exemption from the provisions of this plan shall file a petition for variance with the Authority within 5 days allocation has been invoked. All petitions for variances shall be reviewed by the Authority and shall include the following:

1. Name and address of the petitioner(s).
2. For Authority residents and other users of water within the Authority, a detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioners complies with this Plan or rationing of water adopted by the Authority pursuant to this Plan.
3. For wholesale water customers, if any, a detailed statement with supporting data and information as to how the pro rata allocation of water under the policies and procedures established in the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this plan.
4. Description of the relief requested.
5. Period of time for which the variance is sought.
6. Alternative measures the petitioner is taking or proposes to take to meet the intent of this Plan and compliance date.
7. Other pertinent information.

C. Conditions: Variances granted by the Authority shall be subject to the following conditions unless waived or modified by the Authority or its designee:

1. Variances granted shall include a timetable for compliance.
2. Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No Variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Section 10: Remedies Cumulative. All rights, remedies, sanctions, penalties and enforcement procedures provided for in this Order are cumulative. In addition, the Authority shall have and may exercise and enforce any and all rights and remedies provided by law or in equity.

Section 11: Notice to TCEQ. The Authority shall notify the executive director of the TCEQ within five (5) business days of the implementation of any mandatory provisions of this Plan.

Section 12: Rate Order Provisions. The rate order to be adopted by the Authority shall be included a provision that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code, Section 11.039.

APPENDIX B

WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN ADOPTION

RESOLUTION REGARDING REVIEW
WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

WHEREAS, the Central Harris County Regional Water Authority ("Authority") adopted its Water Conservation and Drought Contingency Plan, dated May 7, 2008 (the "Plan") pursuant to Chapter 288, Texas Administrative Code; and

WHEREAS, Chapter 288, Texas Administrative Code, requires the District to perform a review of the Plan on an established five (5) year schedule, and a review is required on or before May 1, 2014; and

WHEREAS, the Authority has, on the date hereof, performed said review;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the Central Harris County Regional Water Authority that the policies, procedures, and provisions set forth in the Plan are hereby amended pursuant to the attached Water Conservation and Drought Contingency Plan which shall remain in effect until amended by further action of the District and the Plan is hereby revoked effective as of the effective date of this Resolution.

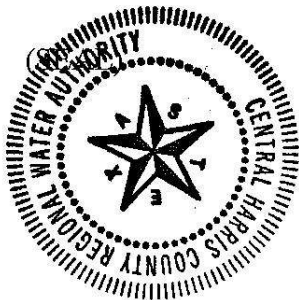
PASSED AND ADOPTED ON THIS 7th day of May, 2014 to be effective as of the 1st day of May, 2014.

CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY

ATTEST:

By: /s/ Judge Caston
Secretary
Board of Directors

By: /s/ Margaret Cox
President
Board of Directors



CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I, the undersigned officer of the Board of Directors of the Central Harris County Regional Water Authority, do hereby certify as follows:

1. The Board of Directors of the Central Harris County Regional Water Authority convened in regular session on the 7th day of May, 2014, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

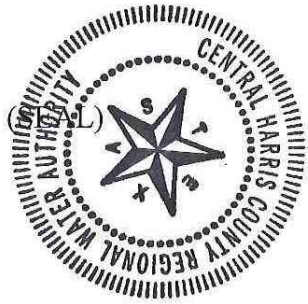
and all of said persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT
CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER
DISTRICTS OF THE
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

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 7th day of May, 2014.



Judge Caston
Secretary, Board of Directors

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I, the undersigned officer of the Board of Directors of the Central Harris County Regional Water Authority, do hereby certify as follows:

1. The Board of Directors of the Central Harris County Regional Water Authority convened in regular session on the 7th day of May, 2008, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

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

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT
CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS
OF THE
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

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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 7th day of May, 2008.



Judge Caston
Secretary, Board of Directors

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT
CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS
OF THE
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

* * *

WHEREAS, the Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Code" and with all references thereto being made to the codification; and

WHEREAS, the Authority was created to 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 rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); and

WHEREAS, the Code authorizes the Authority to 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; 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 the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and to otherwise administer and enforce the Act; and

WHEREAS, the Authority has contracted to purchase certain rights to capacity in treated surface water production and transmission facilities constructed by the City of Houston, Texas, under that certain Water Supply Contract, dated December 5, 2003, by and among Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston (the "City of Houston Contract"), and by the North Harris County Regional Water

Authority under that certain Agreement For Joint Financing, Design, Construction, Operation And Maintenance Of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority; and

WHEREAS, the Authority is in the process of the sale, issuance and delivery of its revenue bonds to the Texas Water Development Board ("TWDB Bonds") in order to finance the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, which system is deemed necessary and convenient to achieve the objectives of the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District; and

WHEREAS, the City of Houston Contract provides that, as a condition to the delivery of water pursuant to the terms and provisions set forth therein, the Authority shall adopt and implement a water conservation program consistent with the applicable requirements of the Texas Commission on Environmental Quality ("TCEQ") set forth in Subchapter A of Chapter 288, Title 30, Texas Administrative Code ("30 TAC § 288"), as amended from time to time; and

WHEREAS, as a condition to the acceptance of delivery of the TWDB Bonds by the Texas Water Development Board ("TWDB"), the rules of the TWDB in Chapter 363 of Title 30, Texas Administrative Code, as amended, provide that the Authority shall adopt and implement a water conservation program, which may be satisfied through the adoption of a water conservation program meeting the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time; and

WHEREAS, in order to conserve the available water supply and protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage or other water supply emergency conditions, has additionally considered the adoption of a drought contingency plan consistent with the applicable requirements of the TCEQ set forth in Subchapter B of 30 TAC § 288, as amended from time to time; and

WHEREAS, the Board of Directors of the Authority ("Board") wishes to adopt (a) a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time, (b) a drought

contingency plan consistent with the requirements of the TCEQ set forth in Subchapter B of 30 TAC § 288, and (c) regulations providing that each Member District of the Authority shall similarly adopt and implement a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time;

NOW THEREFORE, BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY THAT:

ARTICLE I.
FINDINGS; AUTHORIZATION

Section 1.01: Findings. Each of the recitals stated in this Resolution Adopting Groundwater Conservation and Drought Contingency Plan, and Setting Forth Regulations Pertaining to the Adoption of Water Conservation Plans by Member Districts of the Central Harris County Regional Water Authority ("Resolution") are hereby adopted as findings of the Board. All statutory requirements and conditions have been met for the adoption of this Resolution by the Board, including but not limited to the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended.

Section 1.02: Authorization. The adoption of this Resolution is authorized by Sections 8815.102 and 8815.108 of the Code.

ARTICLE II.
DEFINITIONS

Section 2.01: Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein, shall apply with equal force herein and in any amendment or supplement hereto:

Member Districts.

The term "Member Districts" shall have the meaning set forth in § 8815.001(8) of the Code.

Water Conservation Plan.

The term "Water Conservation Plan" shall mean a plan setting forth a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time.

ARTICLE III.
ADOPTION OF AUTHORITY WATER CONSERVATION
AND DROUGHT CONTINGENCY PLAN;
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS

Section 3.01: Authority Plan. The Authority hereby adopts that certain Water Conservation and Drought Contingency Plan of even date herewith, prepared by Pate Engineers, Inc. (the "Authority Plan"). In particular, and without limiting the foregoing, the Authority adopts the Drought Contingency Plan set forth in Appendix A to the Authority Plan as if same was set forth fully herein.

Section 3.02: Member District Plans. Not later than December 31, 2009, each Member District shall adopt and implement a Water Conservation Plan. To the extent that a Member District provides wholesale water service within or without the Authority, and water so provided is comprised in whole or in part of treated surface water derived from the Authority's water distribution system, such Member District shall require its wholesale customer, to the greatest extent practicable, to implement the water conservation measures adopted in such Member District's Water Conservation Plan.

Section 3.03: Incorporation of Resolution in Authority Plan. A certified copy of this Resolution shall be included as Appendix B to the Authority Plan.

ARTICLE IV
CIVIL PENALTIES; INJUNCTION

Section 4.01: Civil Penalty. A person or entity that violates a rule or order of the Authority is subject to a civil penalty of not more than \$5,000, as determined by the Board, for each violation or each day of a continuing violation. The Board may set the penalty based on the severity of the offense; whether such violation was willful, knowing, reckless or inadvertent; the history of offenses by such person or entity; and the damages sustained by the Authority. The Authority may bring an action to recover the penalty in a district court in Harris County, Texas. The penalty shall be paid to the Authority.

Section 4.02: Injunction. The Authority may bring an action for injunctive relief in a district court in Harris County, Texas. The Authority may bring an action for a civil penalty and injunctive relief in the same proceeding.

PASSED AND ADOPTED this the 7th day of May, 2008.

CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY

By: /s/ Margaret L. Cox
President, Board of Directors

ATTEST:

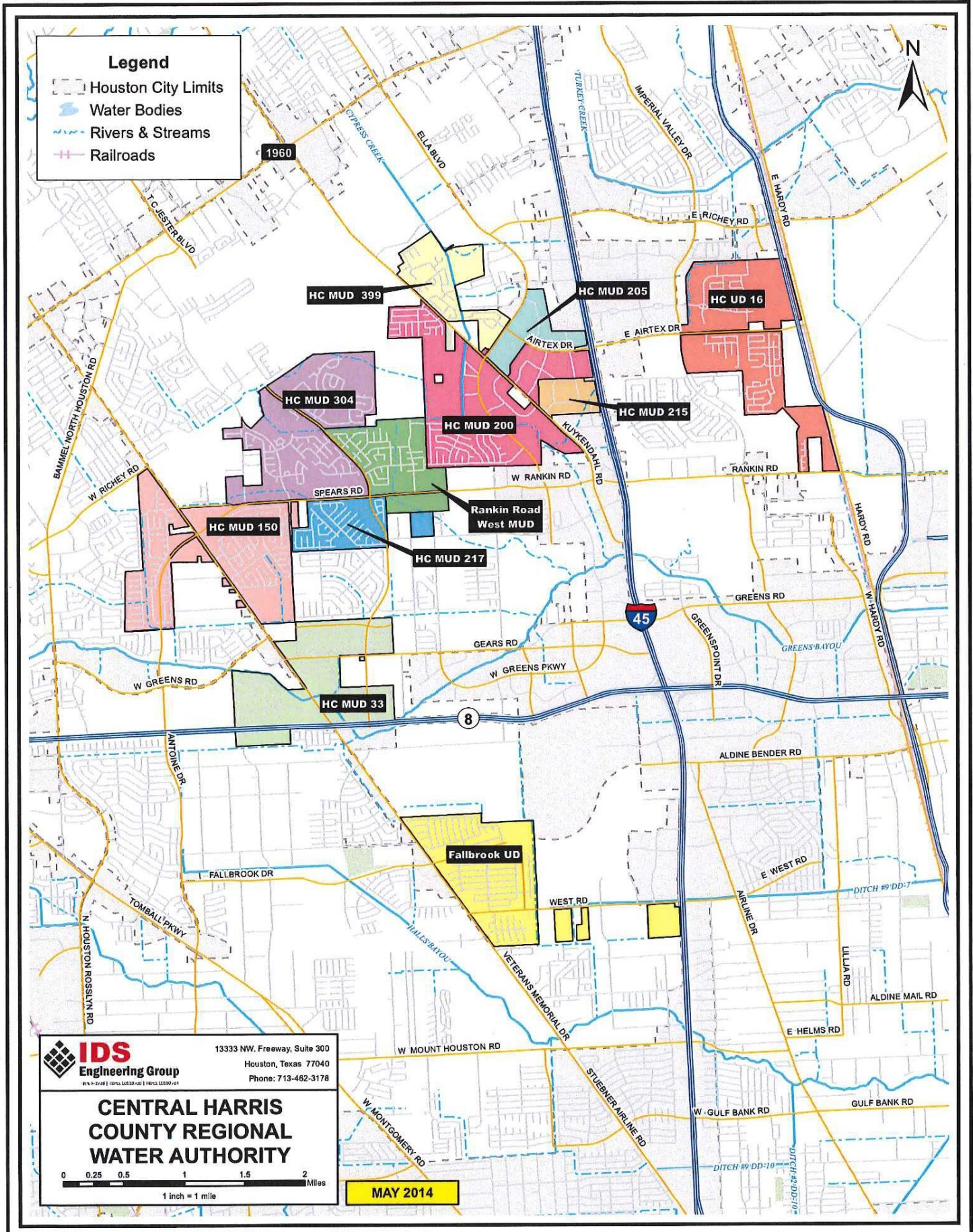
By: /s/ Judge Caston
Secretary, Board of Directors

(SEAL)

192687_1.doc

APPENDIX C

AUTHORITY MAP



Legend

- Houston City Limits
- Water Bodies
- Rivers & Streams
- Railroads

IDS Engineering Group
 13333 NW. Freeway, Suite 300
 Houston, Texas 77040
 Phone: 713-462-3178

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

0 0.25 0.5 1 1.5 2 Miles
 1 inch = 1 mile

MAY 2014

Retail Water Services

Does the applicant provide retail water services?: N

DRAFT

**TEXAS WATER DEVELOPMENT BOARD
WATER USE SURVEY**

WATER USE IN CALENDAR YEAR: 2017

SYSTEM NAME: CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
OPERATOR NAME:
MULTIPLE SURVEY ORG:
MAILING ADDRESS 1: 1300 POST OAK BLVD STE 1400
MAILING ADDRESS 2:
CITY / STATE / ZIP: HOUSTON TX 77056-
PWS NAME: CENTRAL HARRIS COUNTY REGIONAL WATER AUT

SURVEY NUMBER: 1103440
PRIMARY USED COUNTY: HARRIS
PRIMARY USED RIVER BASIN: SAN JACINTO
ORGANIZATION MAIN PHONE: - -
MAIN EMAIL:
PWS CODE:

PHONE EXT:
WEB:
 1013429

INTAKE:

Water Type		County	Basin	Seller Name and/or Seller System		River / Reservoir	Metered or Estimated	Brackish / Saline (Y or N)	% Treated Prior to Intake	Total Volume (gallons)	
SURFACE WATER PURCHASED		HARRIS	SAN JACINTO	CITY OF HOUSTON	GENERAL DISTRIBUTION SYSTEM (HOUSTON) & CWA SYSTEMS	SAN JACINTO RUN OF RIVER	M	N	100.00	670,049,000	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
53,694,000	57,120,000	47,932,000	56,158,000	69,064,000	59,793,000	58,459,000	55,530,000	57,948,000	54,754,000	48,697,000	50,900,000

SALES:

BUYER	SALE TYPE (MUNICIPAL or INDUSTRIAL)	COUNTY NAME	BASIN NAME	WATER TYPE	AQUIFER NAME (if GW)	SURFACE WATER Name (if SW)	RAW or TREATED	TOTAL VOLUME (GALLONS)
HARRIS COUNTY MUD 150	M			SURFACE WATER			Treated	276,872,000
HARRIS COUNTY MUD 200	M			SURFACE WATER			Treated	262,601,000
RANKIN ROAD WEST MUD	M			SURFACE WATER			Treated	54,525,000
HARRIS COUNTY MUD 217	M			SURFACE WATER			Treated	68,643,000

WATER SYSTEM INFORMATION:

Estimated full-time residential population served directly by this system	1
---	---

Potable Water Services

Is the applicant a retail public utility that provides potable water?: N

Khouw, Marcel

To: Cameron King
Subject: RE: Water Loss Audit form

From: Daniel Rice [<mailto:Daniel.Rice@twdb.texas.gov>]
Sent: Tuesday, May 10, 2016 4:24 PM
To: Cameron King
Subject: Water Loss Audit form

Cameron – unfortunately we don't have Central Harris County Regional Water Authority in our online application to fill out the water loss audit. The water loss audit is not set up for wholesale water providers. It is only required of retail public utilities. Either way, here's a paper copy, if you need help with the calculations let me know. Also it'd be nice to know who's asking for this as part of a loan/bond request.

D. Daniel Rice
Water Loss Program Specialist
Conservation & Innovative Water Technologies
Daniel.Rice@twdb.texas.gov
Office: 512-463-0987 | Fax: 512-936-0816
[Water Loss Audit Web Page](#)



Provide Wastewater Services

Does the applicant provide wastewater services?: N

Provide Regional or Wholesale Water Services

Does the applicant provide regional or wholesale water services?: Y

List the 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)
HC MUD 200	502,760,000	30.13%	N
HC MUD 150	277,102,000	16.61%	N
Fallbrook UD	208,537,000	12.50%	N
HC MUD 304	201,727,000	12.09%	N
HC MUD 33	157,221,000	9.42%	N
HC UD 16	141,874,000	8.50%	N
HC MUD 217	68,660,000	4.12%	N
HC MUD 215	55,981,000	3.36%	N
Rankin Rd West MUD	54,525,000	3.27%	N
HC MUD 205	0	0.00%	N

Comments: HC MUD 205 pumpage reported through HC MUD 200

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)
HC MUD 200	\$1,342,226.02	29.57%	N
HC MUD 150	\$727,185.75	16.02%	N
Fallbrook UD	\$620,797.88	13.68%	N
HC MUD 304	\$503,500.57	11.09%	N
HC MUD 33	\$502,397.58	11.07%	N
HC UD 16	\$353,772.54	7.79%	N
HC MUD 217	\$194,612.82	4.29%	N
Rankin Rd West MUD	\$154,604.2	3.41%	N
HC MUD 215	\$139,604.31	3.08%	N
HC MUD 205	\$0	0.00%	N

Provide a summary of the wholesale contracts with customers.

Contract Type	Minimum Annual Amount	Usage Fee Per 1000 Gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0

Debt

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).: The CHCRWA does not anticipate any lawsuits that would adversely impact its ability to make timely debt service payments. The CHCRWA has no outstanding judgements and is not aware of any customer bankruptcies or major customer closings that would impact its ability to make timely payment of its debt service on its previously issued bonds or the Series 2018 Bonds.

Has the applicant ever defaulted on any debt?: N

Taxing Authority

Does the applicant have taxing authority?: N

Tax Assessed Valuations

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate (\$)	General Fund (\$)	Interest & Sinking Fund (\$)	Tax Levy (\$)	Percentage Current Collections (%)	Percentage Total Collections (%)
2018							
2017							
2016							
2015							
2014							

Tax Assessed Values Comments:

TaxRateTable N/A

TaxAssessedValueByClass_0 N/A

TaxAssessedValueByClass_1 N/A

TaxAssessedValueByClass_2 N/A

TaxAssessedValueByClass_3 N/A

TaxAssessedValueByClass_4 N/A

Top Ten Taxpayers

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

Top Ten Taxpayer Comments:

Tax Rate and Sales Tax

Provide the maximum tax rate permitted by law per \$100 of property value.:

Does the applicant collect sales tax?: N

Is the proposed loan tax-exempt?: N

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

2018 Projected Annual Cash Flow Analysis, with 2018 TWDB SWIRFT Bonds
Assumes NO Annual Increases in Total Water Usage and NO Rate Increases Subsequent to the March 1, 2018 Rate Increase
Prepared for TWDB Bond Application

2018CashFlowWith2018SWIRFTBondsPreparedforTWDBApp
4/18/2018

Year	General Fund Beginning Balance (a)	Annual Operating Revenue (b)	Annual Operating Expenditures (c)	Non-Bonded Debt Service Cost (d)	Net Revenues	Debt Service Debt Service Reserve Fund (e)	Net Bonded Debt Service (f)	Ending Balance	Debt Service Coverage
2018	\$5,447,179	\$5,105,019	\$1,367,000	\$0	\$3,738,019	\$6,042,793	\$2,871,894	\$12,356,097	1.30
2019	\$12,356,097	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$3,896,385	\$12,418,101	1.02
2020	\$12,418,101	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,130,855	\$12,245,635	0.96
2021	\$12,245,635	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,129,240	\$12,074,784	0.96
2022	\$12,074,784	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,134,004	\$11,899,169	0.96
2023	\$11,899,169	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,140,055	\$11,717,503	0.96
2024	\$11,717,503	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,137,348	\$11,538,544	0.96
2025	\$11,538,544	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,151,464	\$11,345,469	0.95
2026	\$11,345,469	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,146,944	\$11,156,914	0.95
2027	\$11,156,914	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,144,000	\$10,971,303	0.96
2028	\$10,971,303	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,157,250	\$10,772,442	0.95
2029	\$10,772,442	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$4,165,644	\$10,565,187	0.95
2030	\$10,565,187	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,758,315	\$11,765,261	1.44
2031	\$11,765,261	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,757,774	\$12,965,876	1.44
2032	\$12,965,876	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,754,103	\$14,170,162	1.44
2033	\$14,170,162	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,763,252	\$15,365,299	1.43
2034	\$15,365,299	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,769,850	\$16,553,838	1.43
2035	\$16,553,838	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,768,900	\$17,743,327	1.43
2036	\$17,743,327	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,776,106	\$18,925,610	1.43
2037	\$18,925,610	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,775,208	\$20,108,791	1.43
2038	\$20,108,791	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,781,851	\$21,285,329	1.42
2039	\$21,285,329	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,791,100	\$22,452,618	1.42
2040	\$22,452,618	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,786,892	\$23,624,115	1.42
2041	\$23,624,115	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,790,683	\$24,791,821	1.42
2042	\$24,791,821	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,792,020	\$25,958,190	1.42
2043	\$25,958,190	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,799,944	\$27,116,635	1.41
2044	\$27,116,635	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,799,425	\$28,275,599	1.41
2045	\$28,275,599	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,811,583	\$29,422,405	1.41
2046	\$29,422,405	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$2,256,069	\$31,124,725	1.75
2047	\$31,124,725	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$1,800,899	\$33,282,215	2.20
2048	\$33,282,215	\$5,325,389	\$1,367,000	\$0	\$3,958,389		\$412,800	\$36,827,804	9.59

(a) Reflects General Fund 1/1/2018 cash balance based upon 12/31/2017 audited financials.

(b) Reflects 12/31/2017 audited financials and 3/1/2018 rate increase but NO rate increase assumed thereafter.

(c) Reflects 12/31/2017 audited financials.

(d) None assumed.

(e) Reflects 12/31/2017 audited financials plus deposits from the Series 2018 SWIRFT Bonds (\$696,150).

(f) Reflects outstanding bonds plus sale of Series 2018 SWIRFT Bonds per attached schedule.

Note: All of the Authorities Bonds are owned by the TWDB.

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Total Debt Service with Series 2018 Bonds

Note: All of the Authority's Outstanding Bonds are Owned by the TWDB

4/17/2018

2018 Existing Debt Service after 2018 Bonds

<u>Year</u>	<u>\$22,050,000</u> <u>Series</u> <u>2008 (a)</u>	<u>\$10,805,000</u> <u>Series</u> <u>2015 (b)</u>	<u>\$9,270,000</u> <u>Series</u> <u>2016 (c)</u>	<u>\$26,550,000</u> <u>Series</u> <u>2017 (d)</u>	<u>SUBTOTAL</u> <u>BONDED</u> <u>DEBT SERVICE</u>	<u>\$7,735,000</u> <u>Series</u> <u>2018 (e)</u>	<u>TOTAL</u> <u>BONDED</u> <u>DEBT SERVICE</u>		
2014	\$1,414,842		\$1,414,842	\$1,414,842	\$1,414,842		\$1,414,842		
2015	\$1,410,870		\$1,410,870	\$1,410,870	\$1,410,870		\$1,410,870		
2016	\$1,410,278	\$173,701	\$1,583,979	\$1,583,979	\$1,583,979		\$1,583,979		
2017	\$1,412,948	\$541,881	\$1,954,829	\$1,954,829	\$1,954,829		\$1,954,829		
2018	\$1,413,741	\$545,666	\$1,959,407	\$462,178	\$2,421,585	\$450,309	\$2,871,894		
2019	\$1,412,806	\$548,823	\$1,961,629	\$460,495	\$2,422,124	\$1,298,247	\$3,720,371		
2020	\$1,415,196	\$551,415	\$1,966,611	\$458,531	\$2,425,142	\$1,298,193	\$3,723,335		
2021	\$1,414,514	\$548,423	\$1,962,937	\$456,338	\$2,419,275	\$1,297,565	\$3,716,840		
2022	\$1,411,886	\$544,946	\$1,956,832	\$458,992	\$2,415,824	\$1,301,220	\$3,717,044		
2023	\$1,412,683	\$550,984	\$1,963,667	\$456,366	\$2,420,033	\$1,303,822	\$3,723,855		
2024	\$1,411,822	\$551,353	\$1,963,175	\$458,480	\$2,421,655	\$1,305,413	\$3,727,068		
2025	\$1,414,437	\$551,313	\$1,965,750	\$460,247	\$2,425,997	\$1,311,107	\$3,737,104		
2026	\$1,410,502	\$555,945	\$1,966,447	\$456,710	\$2,423,157	\$1,310,667	\$3,733,824		
2027	\$1,410,259	\$549,739	\$1,959,998	\$457,930	\$2,417,928	\$1,314,352	\$3,732,280		
2028	\$1,413,585	\$552,841	\$1,966,426	\$458,530	\$2,424,956	\$1,317,134	\$3,742,090		
2029	\$1,415,177	\$550,171	\$1,965,348	\$458,714	\$2,424,062	\$1,323,302	\$3,747,364		
2030		\$556,789	\$556,789	\$457,900	\$1,014,689	\$1,327,546	\$2,342,235		
2031		\$557,646	\$557,646	\$456,462	\$1,014,108	\$1,329,946	\$2,344,054		
2032		\$552,884	\$552,884	\$459,589	\$1,012,473	\$1,330,430	\$2,342,903		
2033		\$557,804	\$557,804	\$457,330	\$1,015,134	\$1,334,598	\$2,349,732		
2034		\$557,079	\$557,079	\$459,797	\$1,016,876	\$1,337,454	\$2,354,330		
2035		\$555,991	\$555,991	\$456,573	\$1,012,564	\$1,344,136	\$2,356,700		
2036		\$559,496	\$559,496	\$458,318	\$1,017,814	\$1,344,572	\$2,362,386		
2037		\$556,745	\$556,745	\$459,675	\$1,016,420	\$1,348,868	\$2,365,288		
2038		\$553,683	\$553,683	\$460,153	\$1,013,836	\$1,352,055	\$2,365,891		
2039		\$560,310	\$560,310	\$455,355	\$1,015,665	\$1,358,915	\$2,374,580		
2040		\$556,270	\$556,270	\$455,419	\$1,011,689	\$1,358,443	\$2,370,132		
2041		\$561,918	\$561,918	\$460,207	\$1,022,125	\$1,361,878	\$2,384,003		
2042		\$556,558	\$556,558	\$459,581	\$1,016,139	\$1,364,281	\$2,380,420		
2043		\$560,878	\$560,878	\$457,375	\$1,018,253	\$1,370,651	\$2,388,904		
2044		\$559,507	\$559,507	\$454,861	\$1,014,368	\$1,374,897	\$2,389,265		
2045		\$567,655	\$567,655	\$457,037	\$1,024,692	\$1,377,931	\$2,402,623		
2046		\$0	\$0	\$458,750	\$458,750	\$1,379,879	\$1,838,629		
2047		\$0	\$0	\$0	\$0	\$1,385,619	\$1,385,619		
2048		\$0	\$0	\$0	\$0	\$0	\$0		
2049		\$0	\$0	\$0	\$0	\$0	\$0		
2050		\$0	\$0	\$0	\$0	\$0	\$0		
Total	\$22,605,546	\$16,248,414	\$36,028,248	\$13,435,795	\$47,880,064	\$39,213,430	\$84,990,763	\$12,161,094	\$94,279,963
Avg Annual DS			\$1,200,942		\$1,596,002		\$2,833,025		\$3,142,665

- (a) Reflects the sale of \$22,050,000 Series 2008 Bonds ACTUAL RESULTS for the Phase I 2010 Conversion.
- (b) Reflects the sale of \$10,805,000 Series 2015 SWIFT Bonds to the TWDB ACTUAL RESULTS.
- (c) Reflects the sale of \$9,270,000 Series 2016 Bonds ACTUAL RESULTS.
- (d) Reflects the sale of \$26,550,000 Series 2017 Bonds to the TWDB ACTUAL RESULTS.
- (e) Reflects the sale of \$7,735,000 Series 2018 Bonds @ 3.2%.

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY'
 PROJECT Nos. 51021, 51043, 51023, & 00000 IN 2018
 PREPARED FOR TWDB BOND APPLICATION FINAL APPROVAL

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Debt Service Schedule

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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/19			52,254.22	52,254.22	52,254.22
8/ 1/19			123,760.00	123,760.00	123,760.00
2/ 1/20			123,760.00	123,760.00	123,760.00
8/ 1/20	160,000.00	3.200000	123,760.00	283,760.00	283,760.00
2/ 1/21			121,200.00	121,200.00	121,200.00
8/ 1/21	170,000.00	3.200000	121,200.00	291,200.00	291,200.00
2/ 1/22			118,480.00	118,480.00	118,480.00
8/ 1/22	180,000.00	3.200000	118,480.00	298,480.00	298,480.00
2/ 1/23			115,600.00	115,600.00	115,600.00
8/ 1/23	185,000.00	3.200000	115,600.00	300,600.00	300,600.00
2/ 1/24			112,640.00	112,640.00	112,640.00
8/ 1/24	185,000.00	3.200000	112,640.00	297,640.00	297,640.00
2/ 1/25			109,680.00	109,680.00	109,680.00
8/ 1/25	195,000.00	3.200000	109,680.00	304,680.00	304,680.00
2/ 1/26			106,560.00	106,560.00	106,560.00
8/ 1/26	200,000.00	3.200000	106,560.00	306,560.00	306,560.00
2/ 1/27			103,360.00	103,360.00	103,360.00
8/ 1/27	205,000.00	3.200000	103,360.00	308,360.00	308,360.00
2/ 1/28			100,080.00	100,080.00	100,080.00
8/ 1/28	215,000.00	3.200000	100,080.00	315,080.00	315,080.00
2/ 1/29			96,640.00	96,640.00	96,640.00
8/ 1/29	225,000.00	3.200000	96,640.00	321,640.00	321,640.00
2/ 1/30			93,040.00	93,040.00	93,040.00
8/ 1/30	230,000.00	3.200000	93,040.00	323,040.00	323,040.00
2/ 1/31			89,360.00	89,360.00	89,360.00
8/ 1/31	235,000.00	3.200000	89,360.00	324,360.00	324,360.00
2/ 1/32			85,600.00	85,600.00	85,600.00
8/ 1/32	240,000.00	3.200000	85,600.00	325,600.00	325,600.00
2/ 1/33			81,760.00	81,760.00	81,760.00
8/ 1/33	250,000.00	3.200000	81,760.00	331,760.00	331,760.00
2/ 1/34			77,760.00	77,760.00	77,760.00
8/ 1/34	260,000.00	3.200000	77,760.00	337,760.00	337,760.00
2/ 1/35			73,600.00	73,600.00	73,600.00
8/ 1/35	265,000.00	3.200000	73,600.00	338,600.00	338,600.00
2/ 1/36			69,360.00	69,360.00	69,360.00
8/ 1/36	275,000.00	3.200000	69,360.00	344,360.00	344,360.00
2/ 1/37			64,960.00	64,960.00	64,960.00
8/ 1/37	280,000.00	3.200000	64,960.00	344,960.00	344,960.00
2/ 1/38			60,480.00	60,480.00	60,480.00
8/ 1/38	295,000.00	3.200000	60,480.00	355,480.00	355,480.00
2/ 1/39			55,760.00	55,760.00	55,760.00
8/ 1/39	305,000.00	3.200000	55,760.00	360,760.00	360,760.00
2/ 1/40			50,880.00	50,880.00	50,880.00
8/ 1/40	315,000.00	3.200000	50,880.00	365,880.00	365,880.00
2/ 1/41			45,840.00	45,840.00	45,840.00
8/ 1/41	315,000.00	3.200000	45,840.00	360,840.00	360,840.00
2/ 1/42			40,800.00	40,800.00	40,800.00
8/ 1/42	330,000.00	3.200000	40,800.00	370,800.00	370,800.00
2/ 1/43			35,520.00	35,520.00	35,520.00
8/ 1/43	340,000.00	3.200000	35,520.00	375,520.00	375,520.00
2/ 1/44			30,080.00	30,080.00	30,080.00

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY'
 PROJECT Nos. 51021, 51043, 51023, & 00000 IN 2018
 PREPARED FOR TWDB BOND APPLICATION FINAL APPROVAL

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Debt Service Schedule

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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/44	350,000.00	3.200000	30,080.00	380,080.00	380,080.00
2/ 1/45			24,480.00	24,480.00	24,480.00
8/ 1/45	360,000.00	3.200000	24,480.00	384,480.00	384,480.00
2/ 1/46			18,720.00	18,720.00	18,720.00
8/ 1/46	380,000.00	3.200000	18,720.00	398,720.00	398,720.00
2/ 1/47			12,640.00	12,640.00	12,640.00
8/ 1/47	390,000.00	3.200000	12,640.00	402,640.00	402,640.00
2/ 1/48			6,400.00	6,400.00	6,400.00
8/ 1/48	400,000.00	3.200000	6,400.00	406,400.00	406,400.00
-----			-----		
	7,735,000.00		4,426,094.22	12,161,094.22	
ACCRUED					
	7,735,000.00		4,426,094.22	12,161,094.22	
=====			=====		

Dated 11/1/18 with Delivery of 11/15/18
 Bond Years 138,315.444
 Average Coupon 3.200000
 Average Life 17.881764
 N I C % 3.200000 % Using 100.0000000
 T I C % 3.200238 % From Delivery Date

Consolidation List Name: 18COMB
 Note: This Issue is a Consolidation of the Following Issues:

-
- CHCRWA,18SSL1
 - CHCRWA,18INTL
 - CHCRWA,18NEPL
 - CHCRWA,18LUCE

Micro-Muni Debt Date: 05-01-2018 @ 16:57:00 Filename: CHCRWA Key: 18COMB

CHCRWA 5 Year Comparative System Operating Statement

	2017	2016	2015	2014	2013
Operating Revenues					
Pumpage fees	\$ 2,509,583	\$ 2,379,249	\$ 2,088,386	\$ 1,577,942	\$ 1,670,501
Surface water	<u>1,877,826</u>	<u>1,865,195</u>	<u>1,546,786</u>	<u>1,283,329</u>	<u>1,031,107</u>
Total operating revenues	<u>4,387,409</u>	<u>4,244,444</u>	<u>3,635,172</u>	<u>2,861,271</u>	<u>2,701,608</u>
Operating Expenses					
Purchased water service	914,691	1,111,641	1,087,962	1,040,271	868,017
Professional fees	268,035	261,347	305,000	294,972	233,025
Contracted services	77,415	75,740	59,196	61,297	51,320
Repairs and maintenance			72,053	2,263	218,828
Other expenditures	107,036	110,806	98,084	95,134	97,356
Depreciation	<u>480,272</u>	<u>480,273</u>	<u>480,273</u>	<u>563,275</u>	<u>397,271</u>
Total operating expenses	<u>1,847,449</u>	<u>2,039,807</u>	<u>2,102,568</u>	<u>2,057,212</u>	<u>1,865,817</u>
Operating Income	<u>2,539,960</u>	<u>2,204,637</u>	<u>1,532,604</u>	<u>804,059</u>	<u>835,791</u>
Nonoperating Revenues (Expenses)					
Investment income	148,247	32,096	6,985	7,482	29,286
Other income	-	-	-	-	-
Debt issuance costs	(785,739)	(390,152)	(398,558)	-	-
Interest and fees	<u>(890,092)</u>	<u>(686,370)</u>	<u>(435,248)</u>	<u>(434,520)</u>	<u>(447,639)</u>
Total nonoperating expenses	<u>(1,527,584)</u>	<u>(1,044,426)</u>	<u>(826,821)</u>	<u>(427,038)</u>	<u>(418,353)</u>
Change in Net Position	1,012,376	1,160,211	705,783	377,021	417,438
Net Position					
Beginning of year	<u>8,019,758</u>	<u>6,859,547</u>	<u>6,153,764</u>	<u>5,776,743</u>	5,895,270
Adjustment for adoption of new accounting standard					<u>(535,965)</u>
Beginning of year, as restated					<u>5,359,305</u>
End of year	<u>\$ 9,032,134</u>	<u>\$ 8,019,758</u>	<u>\$ 6,859,547</u>	<u>\$ 6,153,764</u>	<u>\$ 5,776,743</u>

Central Harris County Regional Water Authority

Harris County, Texas

Independent Auditor's Report and Financial Statements

December 31, 2016



Central Harris County Regional Water Authority
December 31, 2016

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Independent Auditor's Report

Board of Directors
Central Harris County Regional Water Authority
Harris County, Texas

We have audited the accompanying basic financial statements of Central Harris County Regional Water Authority (the Authority), which are comprised of a statement of net position as of December 31, 2016, and statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the 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 an opinion on these 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 financial statements are free from 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 policies 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 and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
May 15, 2017

Central Harris County Regional Water Authority

Management's Discussion and Analysis

December 31, 2016

Introduction

This management's discussion and analysis of the financial performance of Central Harris County Regional Water Authority (the Authority) provides an overview of the Authority's financial activities for the year ended December 31, 2016. It should be read in conjunction with the accompanying financial statements of the Authority.

Using This Annual Report

The Authority's basic financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors or participating entities. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The statement of net position and statement of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The Authority's total net position – the difference between assets and liabilities – is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's service area, changes in legislation and regulations, measures of the quantity and quality of services provided to its participants, and local economic factors should also be considered to assess the overall financial health of the Authority.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

Central Harris County Regional Water Authority
Management's Discussion and Analysis (Continued)
December 31, 2016

The Authority's Net Position

The Authority's overall financial position and activities for the past two years are summarized as follows, based on the information included in the financial statements.

Summary of Assets, Liabilities and Net Position

	2016	2015
Current assets	\$ 25,651,942	\$ 16,934,455
Capital assets	18,278,915	17,557,943
Total assets	<u>\$ 43,930,857</u>	<u>\$ 34,492,398</u>
Long-term liabilities	\$ 34,090,000	\$ 26,110,000
Current liabilities	1,821,099	1,522,851
Total liabilities	<u>35,911,099</u>	<u>27,632,851</u>
Net position:		
Net investment in capital assets	(126,726)	461,292
Restricted	2,095,319	1,682,372
Unrestricted	6,051,165	4,715,883
Total net position	<u>\$ 8,019,758</u>	<u>\$ 6,859,547</u>

Operating Results and Changes in Net Position

The total net position of the Authority increased by \$1,160,211, or about 17 percent, due to pumpage fees and surface water fees received from participants in excess of general expenses of the Authority.

Summary of Revenues, Expenses and Change in Net Position

	2016	2015
Operating revenues:		
Charges for services	\$ 4,244,444	\$ 3,635,172
Operating expenses:		
Administrative expenses	1,559,534	1,622,295
Depreciation and amortization	480,273	480,273
Total operating expenses	<u>2,039,807</u>	<u>2,102,568</u>
Operating income	<u>2,204,637</u>	<u>1,532,604</u>

Central Harris County Regional Water Authority
Management's Discussion and Analysis (Continued)
December 31, 2016

Summary of Revenues, Expenses and Change in Net Position (Continued)

	2016	2015
Nonoperating revenues (expenses):		
Investment income	\$ 32,096	\$ 6,985
Bond issuance costs	(390,152)	(398,558)
Interest and fees	(686,370)	(435,248)
Total nonoperating expenses	(1,044,426)	(826,821)
Change in net position	1,160,211	705,783
Net position, beginning of year	6,859,547	6,153,764
Net position, end of year	<u>\$ 8,019,758</u>	<u>\$ 6,859,547</u>

Operating Income

The first component of the overall change in the Authority's net position is its operating income or loss – generally, the difference between charges to participants and the expenses incurred to perform services.

The primary components of the operating income are related to charges to participants to pay the operating expenses of the Authority.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income and interest expense.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, as discussed earlier.

Capital Assets and Debt Administration

Capital Assets

Capital assets held by the Authority at the end of the current and previous fiscal years are summarized as follows.

Central Harris County Regional Water Authority
Management's Discussion and Analysis (Continued)
December 31, 2016

Capital Assets (Net of Accumulated Depreciation)

	2016	2015
Land and improvements	\$ 750,725	\$ 750,725
Construction in progress	1,540,773	339,528
Water facilities	15,987,417	16,467,690
Total capital assets	\$ 18,278,915	\$ 17,557,943

During the current year, additions to capital assets were as follows:

Construction in progress related to expansion of treated water facilities with the City of Houston and the internal distribution system	\$ 1,201,245
--	--------------

Debt

The changes in the debt position of the Authority during the fiscal year ended December 31, 2016, is summarized as follows:

Long-term debt payable, beginning of year	\$ 27,110,000
Increases in long-term debt	9,270,000
Decreases in long-term debt	(1,000,000)
Long-term debt payable, end of year	\$ 35,380,000

The Authority's Series 2008, 2015 and 2016 bonds are not rated.

Central Harris County Regional Water Authority
Statement of Net Position
December 31, 2016

Assets

Current Assets

Cash and cash equivalents	\$ 25,085,607
Due from participants	565,480
Prepaid expenses	855
	25,651,942

Noncurrent Assets

Capital assets (net of accumulated depreciation):

Land and improvements	750,725
Construction in progress	1,540,773
Interest in water facilities	15,987,417
	18,278,915

Total noncurrent assets

Total assets

\$ 43,930,857

Liabilities

Current Liabilities

Accounts payable	\$ 214,347
Accrued interest payable	303,376
Due to others	13,376
Current portion of long-term debt	1,290,000
	1,821,099

Long-term Debt

Due after one year	34,090,000
	35,911,099

Net Position

Net investment in capital assets	(126,726)
Restricted for:	
Debt service	1,596,003
Capital acquisitions	499,316
Unrestricted	6,051,165
	8,019,758
Total net position	\$ 8,019,758

Central Harris County Regional Water Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2016

Operating Revenues	
Pumpage fees	\$ 2,379,249
Surface water	1,865,195
	4,244,444
Operating Expenses	
Purchased water service	1,111,641
Professional fees	261,347
Contracted services	75,740
Other expenditures	110,806
Depreciation	480,273
	2,039,807
	2,204,637
Nonoperating Revenues (Expenses)	
Investment income	32,096
Debt issuance costs	(390,152)
Interest and fees	(686,370)
	(1,044,426)
	1,160,211
Change in Net Position	
Net Position	
Beginning of year	6,859,547
	8,019,758
End of year	\$ 8,019,758

Central Harris County Regional Water Authority

Statement of Cash Flows Year Ended December 31, 2016

Operating Activities

Receipts from participants	\$ 3,996,121
Payments for service operations	(1,619,104)
Other operating payments	(50,015)
	<hr/>
Net cash provided by operating activities	2,327,002

Capital and Related Financing Activities

Proceeds from long-term debt	9,270,000
Principal paid on long-term debt	(1,000,000)
Interest paid on long-term debt	(568,467)
Debt issuance costs	(390,152)
Purchase of capital assets	(1,201,245)
	<hr/>
Net cash provided by capital and related financing activities	6,110,136

Investing Activity

Interest and other income	32,096
	<hr/>
Net cash provided by investing activity	32,096

Increase in Cash and Cash Equivalents

8,469,234

Cash and Cash Equivalents, Beginning of Year

16,616,373

Cash and Cash Equivalents, End of Year

\$ 25,085,607

Reconciliation of Net Operating Revenues to Net Cash

Provided by Operating Activities

Operating income	\$ 2,204,637
Depreciation and amortization	480,273
Changes in:	
Deposits held for others	(50,015)
Participant receivables	(248,323)
Prepaid expenses	70
Accounts payable	(59,640)
	<hr/>
Net cash provided by operating activities	<u>\$ 2,327,002</u>

Central Harris County Regional Water Authority
Notes to Financial Statements
December 31, 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Central Harris County Regional Water Authority (the Authority) was created by House Bill Number 3181 (the Bill) of the 79th Legislature of the State of Texas, Regular Session, effective September 1, 2005 (inception), now codified in Chapter 8815, Texas Special District Local Laws Code. Chapter 8815 authorizes the Authority to purchase, construct or otherwise acquire surface and underground water supplies. The Authority may also enter into contracts with others for the supply and transport of water, but may not impose, levy, assess or collect taxes on property.

The Authority is governed by a Board of Directors (the Board) consisting of five individuals who are appointed by the entities participating in the Authority. The Board sets the policies of the Authority. The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the Authority:

The Authority charges a fee, based on the amount of water pumped from the well, to the owner of wells located within the boundaries of the Authority, unless exempted. These fees enable the Authority to fulfill its purpose and regulatory functions, as set forth in the act. Effective July 1, 2015, the pumpage fee charge is \$2.31 per 1,000 gallons of water pumped from each well, or transported into the Authority from outside, and the surface water fee is \$2.65 per 1,000 gallons of surface water supplied. These rates are subject to future changes.

Reporting Entity

There are no component units that are legally separate entities for which the Authority is considered to be financially accountable. Accountability is defined as the Authority's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the Authority must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the Authority.

Basis of Accounting and Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources management focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions.

Central Harris County Regional Water Authority
Notes to Financial Statements
December 31, 2016

Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB.

Pension Costs

The Authority does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016, cash equivalents consisted primarily of TexPool and money market mutual funds.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the financial statements. Capital assets are defined by the Authority as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as shown below:

	Years
Interest in water production and distribution facilities	40

Central Harris County Regional Water Authority

Notes to Financial Statements

December 31, 2016

Long-term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset since the costs are not applicable to a future period and therefore are recognized as an expense/expenditure in the period incurred.

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, donors or participants external to the Authority, including amounts held as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable. When both restricted and unrestricted resources are available for use, generally, it is the Authority's policy to use restricted resources first.

The components of net investment in capital assets are as follows:

Capital assets, net	\$ 18,278,915
Long-term debt	(35,380,000)
Accrued interest payable on long-term debt	(303,376)
Unexpended bond proceeds for construction	<u>17,277,735</u>
Total	<u>\$ (126,726)</u>

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law and the Authority's investment policy.

Central Harris County Regional Water Authority
Notes to Financial Statements
December 31, 2016

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At December 31, 2016, none of the Authority's bank balances were exposed to custodial credit risk.

Investments

The Authority may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and 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, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The Authority's investment policy may be more restrictive than the Public Funds Investment Act.

The Authority invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2016, the Authority had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
Money market					
mutual fund	\$ 15,947,602	\$ 15,947,602	\$ -	\$ -	\$ -
TexPool	2,994,275	2,994,275	-	-	-
Total	<u>\$ 18,941,877</u>	<u>\$ 18,941,877</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in

Central Harris County Regional Water Authority
Notes to Financial Statements
December 31, 2016

excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2016, the Authority's investments in a money market mutual fund and TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statement of net position as cash and cash equivalents.

Investment Income

Investment income of \$32,096 for the year ended December 31, 2016, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2016, is presented below:

	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 750,725	\$ -	\$ 750,725
Construction in progress	339,528	1,201,245	1,540,773
Total capital assets, non-depreciable	1,090,253	1,201,245	2,291,498
Capital assets, depreciable:			
Water production and distribution facilities	19,154,896	-	19,154,896
Less accumulated depreciation:			
Water production and distribution facilities	(2,687,206)	(480,273)	(3,167,479)
Total governmental activities, net	<u>\$ 17,557,943</u>	<u>\$ 720,972</u>	<u>\$ 18,278,915</u>

Central Harris County Regional Water Authority
Notes to Financial Statements
December 31, 2016

The District capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

Interest costs capitalized	\$	17,113
Interest costs charged to expense		686,370
Total interest incurred	\$	703,483

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2016, were as follows:

	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
Revenue bonds	\$ 27,110,000	\$ 9,270,000	\$ 1,000,000	\$ 35,380,000	\$ 1,290,000

Revenue Bonds

	Series 2008	Series 2015
Amounts outstanding, December 31, 2016	\$15,305,000	\$10,805,000
Interest rates	1.303% to 2.922%	0.45% to 3.21%
Maturity dates, serially beginning/ending	August 1, 2017/2029	August 1, 2017/2045
Interest payment dates	February 1/August 1	February 1/August 1
Callable dates*	August 1, 2018	February 1, 2026
		Series 2016
Amount outstanding, December 31, 2016		\$9,270,000
Interest rates		0.66% to 3.09%
Maturity dates, serially beginning/ending		August 1, 2018/2046
Interest payment dates		February 1/August 1
Callable date*		February 1, 2027

*Or any date thereafter, callable at par plus accrued interest to the date of redemption.

Central Harris County Regional Water Authority
Notes to Financial Statements
December 31, 2016

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds outstanding at December 31, 2016.

Year	Principal	Interest	Total
2017	\$ 1,290,000	\$ 812,731	\$ 2,102,731
2018	1,570,000	851,585	2,421,585
2019	1,595,000	827,125	2,422,125
2020	1,625,000	800,145	2,425,145
2021	1,650,000	769,277	2,419,277
2022-2026	8,810,000	3,296,673	12,106,673
2027-2031	7,100,000	2,195,749	9,295,749
2032-2036	3,520,000	1,554,860	5,074,860
2037-2041	4,055,000	1,024,735	5,079,735
2042-2046	4,165,000	367,204	4,532,204
Total	<u>\$ 35,380,000</u>	<u>\$ 12,500,084</u>	<u>\$ 47,880,084</u>

The bonds are payable from and secured by a first lien on and pledge of Pledged Revenues (as defined in the Bond Order) to be received from participants. The bonds are special obligations of the Authority and do not constitute a general obligation of the Authority.

Note 5: Significant Bond Order and Texas Water Development Board Requirements

- A. The Bond Order establishes a debt service reserve fund to be maintained as long as the bonds are outstanding. The Authority is to maintain a reserve in the debt service fund equal to the average annual sum payable in respect of the principal and interest scheduled to become due on all bonds outstanding at the time of such computation. At December 31, 2016, the required reserve fund balance is \$1,596,003.
- B. The Bond Order establishes a surplus revenues fund to be maintained as long as the bonds are outstanding. The surplus revenues fund contains any net revenues remaining in or accrued by the general fund at the end of each fiscal year, after payment of operation and maintenance expenses and making required deposits, including deposits to the debt service fund and the debt service reserve fund. The calculation of surplus revenues is based on net revenues of the general fund; including revenues, expenditures, transfers from capital projects fund to reimburse the general fund for capital activities; and transfers to the debt service fund and to the debt service reserve fund. At December 31, 2016, the surplus revenues fund retained is \$6,284,127.

Central Harris County Regional Water Authority

Notes to Financial Statements

December 31, 2016

- C. The Authority has covenanted that it will at all times keep insured such parts of the system that are customarily insured by municipal corporations and political subdivisions in Texas. At December 31, 2016, the Authority has general liability coverage of \$3,000,000 and pollution liability coverage of \$2,000,000.

Note 6: City of Houston

On November 25, 2003, Harris County Municipal Utility District No. 33 (District No. 33), as Operating District for the Central Harris County Water Users Consortium (the Consortium), predecessor to the Authority, entered into a Water Supply Contract (the Contract) with the City of Houston (the City) for an initial term of 40 years. Pursuant to the Contract, the Authority purchases potable treated surface water from the City for distribution and use for domestic, commercial and other purposes. The City is responsible for the design, construction, ownership, maintenance and delivery of surface water, pursuant to said Contract. The Authority, in cooperation with the North Harris County Regional Water Authority (the North Authority), is responsible for the design, construction, ownership, maintenance and operation of facilities downstream of the point(s) of delivery. The City will make available to the Authority at the point(s) of delivery the amount of water that equals the Water Demand Allocation described in the Contract, which is 2.12 million gallons per day (mgd), for the period 2010 through 2019. The Authority was obligated to purchase all of the Initial Untreated Water Facilities Demand Allocation in the approximate amount of 2.12 mgd for \$3,521,445, which was paid to the City during a prior year. The Authority also made an additional payment of \$1,490,806 for untreated water facilities to the City during a prior year.

On January 28, 2009, the Authority and the City executed a First Supplement to the Water Supply Contract (First Supplement) to provide for the permitting, engineering, surveying and right-of-way acquisition necessary for the construction of the Luce Bayou Interbasin Transfer Project. Under the terms of the First Supplement, the Authority is obligated to fund its share of the project costs in future years.

The Authority is required to reimburse the City on a periodic basis for the expenses incurred by the City in production and treating the water delivered to the Authority. During the year ended December 31, 2016, the Authority purchased \$1,111,641 of potable treated surface water from the City.

On February 25, 2015, the Authority and the City executed a Second Supplement to the Water Supply Contract (Second Supplement) to provide for the expansion of the Northeast Water Purification Plant (NEWPP). The Authority is requesting an increase in its treated water facilities demand allocation from 2.12 mgd to 7.00 mgd, through two construction phases. Under the terms of the Second Supplement, the Authority is obligated to fund its share of the project costs through cash calls. During the current year, the Authority made payments totaling \$315,406 in cash calls pursuant to the Second Supplement.

Central Harris County Regional Water Authority
Notes to Financial Statements
December 31, 2016

On November 10, 2015, the Authority and the City executed the Third and Fourth Supplements to the Water Supply Contract (Third and Fourth Supplements) to provide for the cost sharing, permitting, engineering, surveying and construction necessary for the Northeast Transmission Line-Segments 1 and 2, respectively. The transmission line will consist of two segments: (1) a 120-inch segment running west from inside the NEWPP site to a point where it connects to a 96-inch line running southwest, and (2) a segment of waterline of a size to be determined in the future from the end of Segment 1, generally following the public rights-of-way and future easements along Beltway 8 to the west side of Interstate 45. The Authority's Segment 1 reservation is 4.88 MGD, or 1.525 percent of the design capacity of said Line, and the Segment 2 reservation is 4.88 MGD, or 2.37 percent of the design capacity of said Line. Under the terms of the Third and Fourth Supplements, the Authority is obligated to fund its share of the above project costs in future years. During the current year, the Authority made payments totaling \$747,159 pursuant to the Third and Fourth Supplements.

Note 7: North Harris County Regional Water Authority

Effective November 6, 2013, the Authority and the North Authority entered into an Amended and Restated Joint Facilities Agreement (the Agreement) for a period of 40 years unless terminated by mutual agreement. The Agreement provides for the financing, design and construction of the Greens Road Water Line, the Transmission Line, the Metering Station, the Spears Road RPS (as such terms are defined in the Agreement), and any future facilities designated as Joint Facilities by written agreement of the parties. Pursuant to the terms of the Agreement, the Authority is also responsible for payment of its pro rata share of operation and maintenance costs, including major rehabilitations, as necessary, of the Joint Facilities. The North Authority holds title to the Joint Facilities, with the exception of the Greens Road Water Line, which the City of Houston holds title to, and the Authority must pay a pro rata share of the costs of right-of-way acquisition, design and construction for the facilities. During prior years, the Authority has provided funds totaling \$8,378,124 to the North Authority for its share of each phase of the construction and design of the Joint Facilities.

Note 8: Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority participates, along with other entities, in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The Authority has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The Authority has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Other Information

Central Harris County Regional Water Authority
Other Schedules Included Within This Report
December 31, 2016

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 10-18
- Schedule of Services and Rates – Not Applicable
- Schedule of General Fund Expenditures – Not Applicable
- Schedule of Temporary Investments
- Analysis of Taxes Levied and Receivable – Not Applicable
- Schedule of Long-term Debt Service Requirements by Years
- Changes in Long-term Bonded Debt
- Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years – Not Applicable
- Board Members, Key Personnel and Consultants

Central Harris County Regional Water Authority
Schedule of Temporary Investments
December 31, 2016

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
TexPool	0.46%	Demand	\$ 5,774	\$ -
TexPool	0.46%	Demand	13,409	-
TexPool	0.46%	Demand	1,377,067	-
TexPool	0.46%	Demand	1,598,025	-
Money market mutual fund	0.10%	Demand	7,634,903	-
Money market mutual fund	0.10%	Demand	<u>8,312,699</u>	<u>-</u>
Totals			<u>\$ 18,941,877</u>	<u>\$ 0</u>

Central Harris County Regional Water Authority
Schedule of Long-term Debt Service Requirement by Years
December 31, 2016

Due During Fiscal Years Ending December 31,	Series 2008		
	Principal Due August 1	Interest Due February 1, August 1	Total
2017	\$ 1,020,000	\$ 392,948	\$ 1,412,948
2018	1,040,000	373,741	1,413,741
2019	1,060,000	352,806	1,412,806
2020	1,085,000	330,197	1,415,197
2021	1,110,000	304,515	1,414,515
2022	1,135,000	276,887	1,411,887
2023	1,165,000	247,683	1,412,683
2024	1,195,000	216,822	1,411,822
2025	1,230,000	184,438	1,414,438
2026	1,260,000	150,502	1,410,502
2027	1,295,000	115,260	1,410,260
2028	1,335,000	78,585	1,413,585
2029	1,375,000	40,178	1,415,178
Totals	<u>\$ 15,305,000</u>	<u>\$ 3,064,562</u>	<u>\$ 18,369,562</u>

Central Harris County Regional Water Authority
Schedule of Long-term Debt Service Requirement by Years (Continued)
December 31, 2016

Due During Fiscal Years Ending December 31,	Series 2015		
	Principal Due August 1	Interest Due February 1, August 1	Total
2017	\$ 270,000	\$ 271,881	\$ 541,881
2018	275,000	270,666	545,666
2019	280,000	268,824	548,824
2020	285,000	266,416	551,416
2021	285,000	263,423	548,423
2022	285,000	259,946	544,946
2023	295,000	255,985	550,985
2024	300,000	251,353	551,353
2025	305,000	246,313	551,313
2026	315,000	240,945	555,945
2027	315,000	234,740	549,740
2028	325,000	227,841	552,841
2029	330,000	220,171	550,171
2030	345,000	211,789	556,789
2031	355,000	202,647	557,647
2032	360,000	192,884	552,884
2033	375,000	182,804	557,804
2034	385,000	172,079	557,079
2035	395,000	160,990	555,990
2036	410,000	149,496	559,496
2037	420,000	136,745	556,745
2038	430,000	123,683	553,683
2039	450,000	110,310	560,310
2040	460,000	96,270	556,270
2041	480,000	81,918	561,918
2042	490,000	66,559	556,559
2043	510,000	50,879	560,879
2044	525,000	34,508	559,508
2045	550,000	17,655	567,655
Totals	<u>\$ 10,805,000</u>	<u>\$ 5,269,720</u>	<u>\$ 16,074,720</u>

Central Harris County Regional Water Authority
Schedule of Long-term Debt Service Requirement by Years (Continued)
December 31, 2016

Due During Fiscal Years Ending December 31,	Series 2016		Total
	Principal Due August 1	Interest Due February 1, August 1	
2017	\$ -	\$ 147,902	\$ 147,902
2018	255,000	207,178	462,178
2019	255,000	205,495	460,495
2020	255,000	203,532	458,532
2021	255,000	201,339	456,339
2022	260,000	198,993	458,993
2023	260,000	196,367	456,367
2024	265,000	193,481	458,481
2025	270,000	190,248	460,248
2026	270,000	186,710	456,710
2027	275,000	182,930	457,930
2028	280,000	178,530	458,530
2029	285,000	173,715	458,715
2030	290,000	167,900	457,900
2031	295,000	161,463	456,463
2032	305,000	154,589	459,589
2033	310,000	147,330	457,330
2034	320,000	139,797	459,797
2035	325,000	131,573	456,573
2036	335,000	123,318	458,318
2037	345,000	114,675	459,675
2038	355,000	105,153	460,153
2039	360,000	95,355	455,355
2040	370,000	85,419	455,419
2041	385,000	75,207	460,207
2042	395,000	64,580	459,580
2043	405,000	52,375	457,375
2044	415,000	39,860	454,860
2045	430,000	27,038	457,038
2046	445,000	13,750	458,750
Totals	<u>\$ 9,270,000</u>	<u>\$ 4,165,802</u>	<u>\$ 13,435,802</u>

Central Harris County Regional Water Authority
Schedule of Long-term Debt Service Requirement by Years (Continued)
December 31, 2016

Annual Requirements For All Series			
Due During Fiscal Years Ending December 31,	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	\$ 1,290,000	\$ 812,731	\$ 2,102,731
2018	1,570,000	851,585	2,421,585
2019	1,595,000	827,125	2,422,125
2020	1,625,000	800,145	2,425,145
2021	1,650,000	769,277	2,419,277
2022	1,680,000	735,826	2,415,826
2023	1,720,000	700,035	2,420,035
2024	1,760,000	661,656	2,421,656
2025	1,805,000	620,999	2,425,999
2026	1,845,000	578,157	2,423,157
2027	1,885,000	532,930	2,417,930
2028	1,940,000	484,956	2,424,956
2029	1,990,000	434,064	2,424,064
2030	635,000	379,689	1,014,689
2031	650,000	364,110	1,014,110
2032	665,000	347,473	1,012,473
2033	685,000	330,134	1,015,134
2034	705,000	311,876	1,016,876
2035	720,000	292,563	1,012,563
2036	745,000	272,814	1,017,814
2037	765,000	251,420	1,016,420
2038	785,000	228,836	1,013,836
2039	810,000	205,665	1,015,665
2040	830,000	181,689	1,011,689
2041	865,000	157,125	1,022,125
2042	885,000	131,139	1,016,139
2043	915,000	103,254	1,018,254
2044	940,000	74,368	1,014,368
2045	980,000	44,693	1,024,693
2046	445,000	13,750	458,750
Totals	\$ 35,380,000	\$ 12,500,084	\$ 47,880,084

Central Harris County Regional Water Authority
Changes in Long-term Bonded Debt
Year Ended December 31, 2016

	Bond Issues			Total
	Series 2008	Series 2015	Series 2016	
Interest rates	1.303% to 2.922%	0.45% to 3.21%	0.66% to 3.09%	
Dates interest payable	February 1/ August 1	February 1/ August 1	February 1/ August 1	
Maturity dates	August 1, 2017/2029	August 1, 2017/2045	August 1, 2018/2046	
Bonds outstanding, beginning of current year	\$ 16,305,000	\$ 10,805,000	\$ -	\$ 27,110,000
Bonds sold during current year	-	-	9,270,000	9,270,000
Retirements, principal	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Bonds outstanding, end of current year	<u>\$ 15,305,000</u>	<u>\$ 10,805,000</u>	<u>\$ 9,270,000</u>	<u>\$ 35,380,000</u>
Interest paid during current year	<u>\$ 410,278</u>	<u>\$ 173,702</u>	<u>\$ 0</u>	<u>\$ 583,980</u>

Paying agent's name and address:

Series 2008 - Wells Fargo Bank, N.A., Houston, Texas

Series 2015 - Amegy Bank National Association, Houston, Texas

Series 2016 - Amegy Bank, a division of ZB, National Association, Houston, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	<u>0</u>	<u>0</u>	<u>0</u>
Amount issued	<u>0</u>	<u>0</u>	<u>0</u>
Remaining to be issued	<u>0</u>	<u>0</u>	<u>0</u>

Debt service fund cash and temporary investment balances as of December 31, 2016: \$ 2,975,092

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,596,003

Central Harris County Regional Water Authority
Board Members, Key Personnel and Consultants
Year Ended December 31, 2016

Complete District mailing address:	Central Harris County Regional Water Authority c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 14, 2016
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Margaret L. Cox	Elected 05/14- 05/18	\$ 3,150	\$ 1,352	President
Julian F. Boddy	Elected 05/16- 05/20	1,800	0	Vice President
David Granadino	Elected 05/16- 05/20	2,400	1,360	Secretary
Tom Gower	Elected 05/14- 05/18	5,100	1,603	Assistant Secretary
Richard C. Meek	Elected 05/14- 05/18	3,300	1,993	Assistant Secretary
Judge Caston	Elected 05/12- 05/16	1,200	549	Term Expired

*Fees are the amounts actually paid to a director during the Authority's fiscal year.

Central Harris County Regional Water Authority
Board Members, Key Personnel and Consultants (Continued)
Year Ended December 31, 2016

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	02/07/07	\$ 18,000	Auditor
CJ Parham Treadway	12/06/06	30,000	Lobbyist
FMatuska, Inc.	07/05/06	12,552	Bookkeeper
The GMS Group, L.L.C.	09/14/05	101,475	Financial Advisor
IDS Engineering Group	09/14/05	270,102	Engineer
Municipal Operations & Consulting, Inc.	04/07/10	55,256	Operator
Schwartz, Page & Harding, L.L.P.	09/14/05	413,937	Attorney (General Counsel and Bond Counsel)
Investment Officer			
Fran Matuska	09/14/05	N/A	Bookkeeper

Board of Directors
Central Harris County Regional Water Authority
Harris County, Texas

In planning and performing our audit of the financial statements of Central Harris County Regional Water Authority (the Authority) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Authority's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be material weaknesses.

Material Weaknesses

The Authority's management consists of an elected Board of Directors (the Board). Day-to-day operations are performed by private entities (consultants) under contract with the Authority. The Board supervises the performance of the consultants; however, although consultants can be part of the Authority's system of internal control, the consultants are not members of management. Per auditing standards, management is responsible for design and implementation of the Authority's system of internal controls.

Per auditing standards, one of the primary controls within the system of internal controls is related to the preparation of the financial statements. Management of the Authority is responsible for either preparing the financial statements or having the knowledge to determine whether the financial statements have been properly prepared and are free from potential misstatement. The absence of this expertise within management, or a consultant of the Authority hired to perform this service, is considered by auditing standards to be a material weakness in internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to correct and present the financial statements on the government-wide basis of accounting. Additionally, we noted adjustments to accounts, such as due from participants and pumpage fees revenues, which were necessary in order for the fund financial statements to be in conformity with generally accepted accounting principles. The inability of management (or a consultant of the Authority hired to perform this service) to detect these necessary adjustments is considered by auditing standards to be a material weakness in internal control over financial reporting.

Finally, management, or a consultant of the Authority, does not prepare the capital asset and depreciation register or post adjustments related to the presentation of the capital assets in the government-wide financial statements. As management is not preparing or reviewing and does not have the expertise to prevent, detect and correct related significant potential misstatements, this is considered by auditing standards to be a material weakness.

The material weaknesses noted above, if not corrected, could result in a material misstatement or omission of a required disclosure in the financial statements.

Management's Response

The Authority responds that the auditor's Management Letter, and the material weaknesses identified therein, are prepared in response to Statement on Auditing Standards No. 115 (SAS 115) and are not prompted by any other circumstances identified during the course of the audit and disclosed to the Authority's Board.

As you know, the Board has, since the inception of the Authority, engaged the auditor to perform the Authority's audit and to prepare the financial statements and capital asset and depreciation schedules upon which the audit is based. It is our understanding that this is the usual and customary practice for smaller special districts in Texas, as it is more cost effective to engage consultants to perform such services than to employ persons (who would constitute district management) to perform same. It is also the Board's understanding that, under the requirements of SAS 115, the engagement of the auditor to perform these services resulted in the Management Letter because (1) the Board members are not able to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements or its capital asset and depreciation schedules or to make adjustments to same, and (2) the Board has not implemented controls to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements or capital asset and depreciation schedules, such as the hiring of an employee or the engagement of another consultant to prepare the Authority's financial statements or capital asset and depreciation schedules.

With respect to items (1) and (2) identified above, the Board responds that its members are appointed or elected in accordance with the requirements set forth in the Texas Water Code, and that such members do not necessarily have the ability to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements or its capital asset and depreciation schedules or to make adjustments to same.

Further, the Board responds that it is a small government unit and that it engages the auditor based upon the auditor's professional qualifications, and in light of such qualifications, does not feel that the addition at this time of an employee or the engagement of a consultant to prepare the Authority's financial statements and capital asset and depreciation schedules (as a form of control) would be cost effective. Additionally, the Board adds that the Authority does not have any employees, but rather engages consultants who possess industry knowledge and expertise to provide financial services, including its bookkeeper, auditor and financial advisor, as well as consultants that provide legal, engineering, and operation and maintenance services. In particular, the Authority's bookkeeper presents periodic financial information (unaudited) to the Board for review, which information generally reflects income, disbursements, adjustments and the status of investments relative to the Authority's various accounts.

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors and the Texas Commission on Environmental Quality, and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

May 15, 2017

InterimFinancialInformation N/A

Outstanding Debt

Yes, General obligation debt: N

Yes, Revenue debt: Y

Yes, Authorized but unissued debt: N

No: N

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
2018 Existing Debt Service (Maximum and Average Annual Debt Service Shown)

4/10/2018

2018 Existing Debt Service before 2018 Bonds

	\$22,050,000	\$10,805,000		\$9,270,000		\$26,550,000	TOTAL
	Series	Series		Series		Series	BONDED
Year	2008 (a)	2015 (b)		2016 (c)		2017 (d)	DEBT SERVICE
2014	\$1,414,842		\$1,414,842		\$1,414,842		\$1,414,842
2015	\$1,410,870		\$1,410,870		\$1,410,870		\$1,410,870
2016	\$1,410,278	\$173,701	\$1,583,979		\$1,583,979		\$1,583,979
2017	\$1,412,948	\$541,881	\$1,954,829	\$147,902	\$2,102,731		\$2,102,731
2018	\$1,413,741	\$545,666	\$1,959,407	\$462,178	\$2,421,585	\$450,309	\$2,871,894
2019	\$1,412,806	\$548,823	\$1,961,629	\$460,495	\$2,422,124	\$1,298,247	\$3,720,371
2020	\$1,415,196	\$551,415	\$1,966,611	\$458,531	\$2,425,142	\$1,298,193	\$3,723,335
2021	\$1,414,514	\$548,423	\$1,962,937	\$456,338	\$2,419,275	\$1,297,565	\$3,716,840
2022	\$1,411,886	\$544,946	\$1,956,832	\$458,992	\$2,415,824	\$1,301,220	\$3,717,044
2023	\$1,412,683	\$550,984	\$1,963,667	\$456,366	\$2,420,033	\$1,303,822	\$3,723,855
2024	\$1,411,822	\$551,353	\$1,963,175	\$458,480	\$2,421,655	\$1,305,413	\$3,727,068
2025	\$1,414,437	\$551,313	\$1,965,750	\$460,247	\$2,425,997	\$1,311,107	\$3,737,104
2026	\$1,410,502	\$555,945	\$1,966,447	\$456,710	\$2,423,157	\$1,310,667	\$3,733,824
2027	\$1,410,259	\$549,739	\$1,959,998	\$457,930	\$2,417,928	\$1,314,352	\$3,732,280
2028	\$1,413,585	\$552,841	\$1,966,426	\$458,530	\$2,424,956	\$1,317,134	\$3,742,090
2029	\$1,415,177	\$550,171	\$1,965,348	\$458,714	\$2,424,062	\$1,323,302	\$3,747,364
2030		\$556,789	\$556,789	\$457,900	\$1,014,689	\$1,327,546	\$2,342,235
2031		\$557,646	\$557,646	\$456,462	\$1,014,108	\$1,329,946	\$2,344,054
2032		\$552,884	\$552,884	\$459,589	\$1,012,473	\$1,330,430	\$2,342,903
2033		\$557,804	\$557,804	\$457,330	\$1,015,134	\$1,334,598	\$2,349,732
2034		\$557,079	\$557,079	\$459,797	\$1,016,876	\$1,337,454	\$2,354,330
2035		\$555,991	\$555,991	\$456,573	\$1,012,564	\$1,344,136	\$2,356,700
2036		\$559,496	\$559,496	\$458,318	\$1,017,814	\$1,344,572	\$2,362,386
2037		\$556,745	\$556,745	\$459,675	\$1,016,420	\$1,348,868	\$2,365,288
2038		\$553,683	\$553,683	\$460,153	\$1,013,836	\$1,352,055	\$2,365,891
2039		\$560,310	\$560,310	\$455,355	\$1,015,665	\$1,358,915	\$2,374,580
2040		\$556,270	\$556,270	\$455,419	\$1,011,689	\$1,358,443	\$2,370,132
2041		\$561,918	\$561,918	\$460,207	\$1,022,125	\$1,361,878	\$2,384,003
2042		\$556,558	\$556,558	\$459,581	\$1,016,139	\$1,364,281	\$2,380,420
2043		\$560,878	\$560,878	\$457,375	\$1,018,253	\$1,370,651	\$2,388,904
2044		\$559,507	\$559,507	\$454,861	\$1,014,368	\$1,374,897	\$2,389,265
2045		\$567,655	\$567,655	\$457,037	\$1,024,692	\$1,377,931	\$2,402,623
2046		\$0	\$0	\$458,750	\$458,750	\$1,379,879	\$1,838,629
2047		\$0	\$0	\$0	\$0	\$1,385,619	\$1,385,619
2048		\$0	\$0	\$0	\$0	\$0	\$0
2049		\$0	\$0	\$0	\$0	\$0	\$0
2050		\$0	\$0	\$0	\$0	\$0	\$0
Total	\$22,605,546	\$16,248,414	\$36,028,248	\$13,435,795	\$47,880,064	\$39,213,430	\$84,990,763
Avg Annual DS			\$1,200,942		\$1,596,002		\$2,833,025

(a) Reflects the sale of \$22,050,000 Series 2008 Bonds ACTUAL RESULTS for the Phase I 2010 Conversion.

(b) Reflects the sale of \$10,805,000 Series 2015 SWIFT Bonds to the TWDB ACTUAL RESULTS.

(c) Reflects the sale of \$9,270,000 Series 2016 Bonds ACTUAL RESULTS.

(d) Reflects the sale of \$26,550,000 Series 2017 Bonds to the TWDB ACTUAL RESULTS.

Applicant's Ten Largest Employers

Walmart: 37,000

Memorial Herman Health System: 24,108

HEB Grocers: 23,732

UTMD Anderson Cancer Center: 21,086

McDonald's Corp: 20,918

Houston Methodist: 20,000

Kroger: 16,000

United Airlines: 14,941

Schlumberger: 12,069

Shell Oil Company: 11,507

Ten Largest Employers Comments: The list above represents 10 largest employers in Harris County.

Bond Ratings

Bond Ratings

Type	Standard & Poors	Date Received	Fitch	Date Received	Moody's	Date Received
G.O.						
Revenue						

Bond Rating N/A: Y

Receive Water or Sewer

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

03-1138
55476

**WATER SUPPLY CONTRACT BETWEEN
THE CITY OF HOUSTON, TEXAS AND
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 33
ON BEHALF OF THE CENTRAL HARRIS COUNTY WATER USERS CONSORTIUM**

THIS WATER SUPPLY CONTRACT ("Contract") is made by and between the CITY OF HOUSTON, TEXAS ("Houston") and HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 33 ("No. 33") on behalf of the Central Harris County Water Users Consortium (the "Consortium"). No. 33 is sometimes referred to hereinafter as the Consortium.

WITNESSETH:

Recitals

Houston is a municipal corporation and home-rule city, principally located in Harris County, Texas. Houston owns a water treatment and distribution system and desires to sell water to No. 33.

No. 33 is a conservation and reclamation district and a political subdivision of the State of Texas created and operating pursuant to and under Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended.

No. 33 and Harris County Municipal Utility District No. 150 ("No. 150"), Harris County Municipal Utility District No. 200 ("No. 200"), Harris County Municipal Utility District No. 205 ("No. 205"), Harris County Municipal Utility District No. 215 ("No. 215"), Harris County Municipal Utility District No. 217 ("No. 217"), Harris County Municipal Utility District No. 304 ("No. 304"), Harris County Utility District No. 16 ("No. 16"), Fallbrook Utility District ("Fallbrook") and Rankin Road West Municipal Utility District ("Rankin Road") each own and operate (or own a beneficial interest in) one or more water wells whose groundwater withdrawal is permitted and regulated by the Harris-Galveston Coastal Subsidence District ("HGCSO").

No. 33, No. 150, No. 200, No. 205, No. 215, No. 217, No. 304, No. 16, Fallbrook and Rankin Road have created an association referred to as the "Central Harris County Water Users Consortium" pursuant to an Agreement dated December 13, 2002 (the "Central Harris County Water Users Consortium Agreement"), a copy of which is on file with Houston, for the purpose of collectively satisfying the requirements of the HGCSO's 1999 Regulatory Plan, as amended.

Pursuant to the Central Harris County Water Users Consortium Agreement, No. 33 has been appointed the Operating District for the Consortium and has been authorized to perform certain services and/or functions on behalf of the Consortium, including specifically, to enter into

this Contract to purchase treated surface water from Houston for distribution and use by members of the Consortium for domestic, commercial and other purposes.

Houston is authorized to enter into this Contract pursuant to its Home Rule Charter and Section 402.021 of the Texas Local Government Code.

No. 33 is authorized to enter into this Contract pursuant to the provisions of the Texas Water Code, as amended, and pursuant to the terms of the Central Harris County Water Users Consortium Agreement.

Houston, as the regional water supplier and principal owner of surface water in Harris County, desires to provide potable treated surface water to the unincorporated area of Harris County, including the areas within the Consortium, to meet the HGCSO requirements for Area Three as defined by the HGCSO's 1999 District Regulatory Plan, as amended.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do mutually agree as follows:

ARTICLE I

Definitions

Unless the context requires otherwise, the following terms as used in this Contract shall have meanings as follows:

"Advisory Committee" is defined in Section 8.17.

"Annual Audit" is defined in Section 4.06.

"Annual Interest Payment" is defined in Section 3.03.

"Annual New Untreated Water Facilities Payment" is defined in Section 3.02(c).

"Annual O&M Budget" is defined in Section 4.03.

"Annual Outstanding Debt Service" means the amount of debt service (principal and interest) actually owed by Houston during a Houston fiscal year on any and all bonds, notes, or other obligations for construction and acquisition of New Untreated Water Facilities.

"Commencement of Delivery of Water" shall mean commencement of delivery of Water for consumption and shall not mean delivery of Water for line testing or flushing purposes.

"Consortium System" shall mean all facilities owned and operated by the Consortium (or third parties acting on the Consortium's behalf) to enable the Consortium to receive Water from the Houston System pursuant to this Contract, including without limitation, transmission lines, inter-connection lines, storage facilities, booster pumps, meter vaults, casings, air gap or other backflow prevention controls, valves and flow control devices. The Consortium System may include certain facilities (primarily surface water transmission mains) owned and operated by the

North Authority (defined hereinbelow) which enable the North Authority to receive Water from the Houston System, and which the Consortium has contracted with the North Authority to jointly finance, design, construct, operate and maintain in order to receive Water from the Houston System for distribution to and use by members of the Consortium.

"Existing Untreated Water Facilities" means those facilities listed in **Exhibit "A"**.

"GRP" is defined in Section 8.18.

"Houston System" shall mean all of Houston's Water production, treatment and distribution facilities, including all treatment plants, mains, distribution lines, booster pumps, storage tanks and meter facilities.

"Initial Untreated Water Facilities Demand Allocation" is defined in Section 3.02(a).

"Interest Rate" means the 20 City Municipal Bond Index on the first day of the Houston fiscal year during which the Contract is executed, which the parties hereby agree equals 5.10%.

"Major Rehabilitations" are major capital projects required to maintain and operate the Plant Facilities and Transmission Facilities at their current capacity or as required by applicable regulatory requirements and estimated to cost in excess of \$500,000.

"MGD" shall mean million of gallons per day of Water.

"New Untreated Water Facilities" means any untreated surface water canals, reservoirs, lakes, water rights, or other untreated surface water facilities not listed in **Exhibit "A"** that are hereafter constructed or acquired by Houston pursuant to Section 3.02(c).

"North Authority" shall mean the North Harris County Regional Water Authority.

"North Authority Contract" shall mean that certain Water Supply Contract between Houston and the North Authority, dated December 16, 2002.

"O&M Expenses" are defined in Section 4.02.

"O&M Reserve" is 25% of the then-current Annual O&M Budget.

"Outstanding Debt" means the amount of principal owed by Houston on any and all bonds, notes, or other obligations for construction and acquisition of Existing Untreated Water Facilities.

"Payment for Existing Untreated Water Facilities" is defined in Sections 3.02 (a), (b), and (c), as applicable.

"Payment for Untreated Water Facilities Costs Avoided" is defined in Section 3.02(c).

"Plant Facilities" means those facilities listed in **Exhibit "B"**.

"Point(s) of Delivery" shall mean the output flanges of the tap(s) on Houston's System that will serve the Consortium under the provisions of this Contract, as more particularly

identified and described on **Exhibit "C"** attached hereto and incorporated herein for all purposes.

"Point(s) of Measurement" shall mean the location of the meter(s) at which the Consortium's consumption of Water is measured, as more particularly described on **Exhibit "D"** attached hereto and incorporated herein for all purposes.

"Reservation" means a written request from No. 33, at the Consortium's option, that is approved in writing by the Utility Official, seeking the Utility Official's approval to increase the Consortium's then-current Untreated Water Facilities Demand Allocation and/or its Treated Water Facilities Demand Allocation.

"Ten Year Period" is defined in Section 3.02(c).

"Transmission Facilities" are those transmission lines and facilities described and shown on **Exhibit "E"**.

"Treated Water Facilities" is defined in Section 3.03.

"Treated Water Facilities Capital Contribution" is defined in Section 3.03.

"Treated Water Facilities Capital Costs" means the actual costs incurred by Houston to construct or acquire the Treated Water Facilities, including engineering, testing services, construction, construction management, right-of-way, legal and auditing expenses, expenses related to contractor claims, and cost for services of employees of Houston for construction of the Treated Water Facilities.

"Treated Water Facilities Demand Allocation" is defined in Section 3.03.

"Untreated Water Facilities" means the Existing Untreated Water Facilities plus any New Untreated Water Facilities.

"Untreated Water Facilities Demand Allocation" is defined in Section 3.02.

"Utility Official" shall mean 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.

"Water" shall mean potable treated surface water from the Houston System serving its own inhabitants.

"Water Demand Allocation" shall mean the maximum amount of Water the Consortium is entitled to take pursuant to the terms of this Contract and pursuant to the Consortium's then current Treated Water Facilities Demand Allocation.

ARTICLE II

Construction of Facilities

Section 2.01 Construction by Houston.

Houston shall be responsible for the design, construction, ownership, maintenance and operation of the Untreated Water Facilities and the Treated Water Facilities, which facilities are upstream from the Point(s) of Delivery.

Section 2.02 Construction by No. 33 or the North Authority of Certain Facilities.

No. 33, or the North Authority pursuant to a contract with No. 33, acting on behalf of the Consortium, shall be responsible for the design, construction, ownership, maintenance and operation of all facilities located downstream of the Point(s) of Delivery necessary to enable it to receive Water at the Point(s) of Delivery. No. 33 shall obtain the Utility Official's approval of all plans and specifications of the Consortium's facilities in the Consortium's System, which approval shall not be unreasonably delayed or withheld.

Section 2.03 Time of Completion.

If not already constructed, Houston agrees to proceed with due diligence to construct the facilities described in this Article in order to provide the quantities of Water to the Consortium required by this Contract.

Section 2.04 Point(s) of Delivery and Point(s) of Measurement.

The Point(s) of Delivery for Water sold under this Contract shall be located at the physical point(s) of connection between the Houston System and the North Authority System shown on **Exhibit "C"**. The Point(s) of Measurement for Water sold under this Contract shall be located at the physical point(s) of connection of the Consortium System to the surface water transmission lines to be constructed by the North Authority to enable it to receive Water from Houston's System, approximately at the locations shown on **Exhibit "D"**. Additional Point(s) of Delivery and Point(s) of Measurement may be added from time to time, by mutual agreement of the Consortium and the Utility Official.

ARTICLE III

Sale and Delivery of Water

Section 3.01 Delivery of Water.

Subject to the terms and conditions of this Contract, beginning January 1, 2010, and continuing thereafter, Houston shall deliver and make available to the Consortium at the Point(s) of Delivery the amount of Water that equals the Water Demand Allocation. If for any reason the Consortium takes more Water than its Water Demand Allocation during any given day, the

Consortium shall pay Houston for operation and maintenance charges associated with such excess Water pursuant to Article IV of this Contract but will not be deemed to have increased its Untreated Water Facilities Demand Allocation or Treated Water Facilities Demand Allocation.

The Consortium may, but is not obligated to, purchase Water from Houston in order to satisfy the Consortium's year 2020 and year 2030 HGCSO conversion requirements. Currently, the Consortium's total Water need is projected to be 2.12 MGD for the year 2010, 5.03 MGD for the year 2020 and 5.74 MGD for the year 2030. In the event the Consortium purchases such Water from Houston by increasing its Water Demand Allocation by Reservation, the cost sharing formulas and methods of calculating payments by the Consortium to Houston that are provided in this Article III shall apply.

The Utility Official shall send the Consortium written approval of any Consortium Reservation request within ninety (90) days of receipt of same if Houston at the time of the Reservation request has sufficient capacity to serve the increase requested by the Consortium. If Houston does not at that time have sufficient capacity to serve the increase requested by the Consortium, the Utility Official shall send a written rejection of such Reservation request to the Consortium within ninety (90) days of receipt of same, which rejection shall also advise the Consortium of what new facilities are necessary to serve the requested Reservation. Unless the Utility Official agrees to a lesser period, the Consortium shall provide a Reservation request at least five (5) years prior to the date the Consortium requires the increase of its then-current Untreated Water Facilities Demand Allocation and/or its Treated Water Facilities Demand Allocation. The Utility Official shall provide the Authority with a copy of any Reservation request submitted by the North Authority or the West Harris County Regional Water Authority within twenty (20) days of the Utility Official's receipt of same.

Section 3.02 Untreated Water Capital Costs.

Untreated Water Facilities Demand Allocation shall mean 2.12 MGD; provided, however, that in the event the Consortium increases its Untreated Water Facilities Demand Allocation pursuant to the terms of this Contract, then Untreated Water Facilities Demand Allocation shall mean such total increased amount.

Section 3.02(a) Initial Untreated Water Facilities Demand Allocation.

On no more than three (3) occasions prior to the year 2010, the Consortium may, at its option, purchase any portion(s) of its 2.12 MGD Untreated Water Facilities Demand Allocation (the "Initial Untreated Water Facilities Demand Allocation") by payment to Houston of the Payment for Existing Untreated Water Facilities pursuant to this Section 3.02(a). The

Consortium shall be obligated to purchase all of its Initial Untreated Water Facilities Demand Allocation no later than December 31, 2009, by payment to Houston of the Payment for Existing Untreated Water Facilities pursuant to this Section 3.02(a). The Payment for Existing Untreated Water Facilities under this Section 3.02(a) shall be calculated as follows:

Payment for Existing Untreated Water Facilities = (A/B)C

Where: "A" is the portion (in MGD) of the Initial Untreated Water Facilities Demand Allocation to be purchased.

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year ending June 30, 2001, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities listed in **Exhibit "F"**.

The Consortium shall make the Payment for Existing Untreated Water Facilities to Houston for the Initial Untreated Water Facilities Demand Allocation, according to the above formula, upon the Consortium's receipt of written notice from Houston showing the amount of such payment and the calculation therefor, but no earlier than the date of commencement of delivery of such Initial Untreated Water Facilities Demand Allocation. Effective immediately upon the Consortium's payment for the Initial Untreated Water Facilities Demand Allocation, the Consortium shall be entitled to take such Water.

In the event the Consortium, as indicated by a written notice from the Consortium to Houston, seeks to pay Houston the Payment for Existing Untreated Water Facilities over a maximum period of fifteen (15) years (with interest) in lieu of a lump sum payment, the Consortium and the Utility Official shall in good faith negotiate a separate written agreement providing for such payment terms. If the Consortium and the Utility Official are unable to enter into a separate written agreement upon terms mutually agreeable to both parties, then the Consortium shall be required to pay the Payment for Existing Untreated Water Facilities to Houston as a lump sum payment.

In the event Houston constructs or acquires New Untreated Water Facilities for any reason, the Consortium shall, in addition to the Payment for Existing Untreated Water Facilities paid under this Section 3.02(a), owe Houston the Annual New Untreated Water Facilities Payment, as provided in Section 3.02(c) (2).

Exhibit "F" hereto includes: (i) the Initial Untreated Water Facilities Demand Allocation to be purchased by the Consortium, (ii) the Outstanding Debt (as of June 30, 2001); and (iii) the total amount (in MGD) of factor "B" for the calculation of the Payment for Existing Untreated Water Facilities under this Section 3.02(a).

Section 3.02(b) Reservation Not Requiring Construction of New Untreated Water Facilities.

In the event the Consortium submits a Reservation request on or after January 1, 2010, to the Utility Official for an increase in its Untreated Water Facilities Demand Allocation and Houston then has capacity available in the Existing Untreated Water Facilities to serve such increase, the Utility Official shall, within ninety (90) days of the Consortium's request for the Reservation, send written approval of such Reservation request to the Consortium. For the approved Reservation, the Consortium shall owe Houston a Payment for Existing Untreated Water Facilities under this Section 3.02(b), calculated as follows:

Payment for Existing Untreated Water Facilities = (A/B)C

Where: "A" is the amount (in MGD) of the increase of the Consortium's Untreated Water Facilities Demand Allocation pursuant to a Reservation under this Section 3.02(b).

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year that precedes the fiscal year during which the Consortium's Reservation request is approved in writing by the Utility Official, including such untreated surface water received at Houston's water treatment plants as well as billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities listed in **Exhibit "F"** as of the first day of Houston's fiscal year in which the Consortium's Reservation request is approved in writing by the Utility Official.

If the Consortium submits a Reservation request to the Utility Official prior to January 1, 2010, and Houston then has capacity available in the Existing Untreated Water Facilities to serve such increase, then, for purposes of calculating the Payment for Existing Untreated Water Facilities under this Section 3.02(b) for such Reservation only, factors "B" and "C" of Section 3.02(a) shall be used instead of factors "B" and "C" of this Section 3.02(b).

The Consortium shall pay Houston the Payment for Existing Untreated Water Facilities under this Section 3.02(b) no later than sixty (60) days after the Consortium sends written notice to Houston that the Consortium requires Water from its Reservation made pursuant to this

Section 3.02(b). The Consortium shall send notice to Houston that the Consortium requires Water from its Reservation no later than five (5) years after the date of the Utility Official's written approval of the Reservation.

In the event the Consortium, as indicated by a written notice from the Consortium to Houston, seeks to pay Houston the Payment for Existing Untreated Water Facilities over a maximum period of fifteen (15) years (with interest) in lieu of a lump sum payment, the Consortium and the Utility Official shall in good faith negotiate a separate written agreement providing for such payment terms. If the Consortium and the Utility Official are unable to enter into a separate written agreement upon terms mutually agreeable to both parties, then the Consortium shall be required to pay the Payment for Existing Untreated Water Facilities to Houston as a lump sum payment.

In the event Houston constructs or acquires New Untreated Water Facilities for any reason, the Consortium shall, in addition to the Payment for Existing Untreated Water Facilities, if any, paid under this Section 3.02(b), owe Houston the Annual New Untreated Water Facilities Payment, as provided in Section 3.02(c)(2).

Section 3.02(c) New Untreated Water Facilities.

In the event the Consortium sends a Reservation request to the Utility Official for an increase in its Untreated Water Facilities Demand Allocation and Houston does not then have capacity available in the Existing Untreated Water Facilities to serve such increase, the Utility Official shall send a written rejection of such Reservation request to the Consortium within ninety (90) days of the Utility Official's receipt of such Reservation request, which rejection shall also advise the Consortium of what New Untreated Water Facilities are necessary to serve the requested Reservation. If the Consortium thereafter seeks to increase its Untreated Water Facilities Demand Allocation, it shall send written notice to the Utility Official of the Consortium's need for New Untreated Water Facilities and the amount (in MGD) of its requested Reservation. After receipt of such Consortium notice, Houston shall promptly construct or acquire New Untreated Water Facilities and the Consortium shall owe Houston the Payment for Existing Untreated Water Facilities plus the Annual New Untreated Water Facilities Payment under this Section 3.02(c). Upon completion of the New Untreated Water Facilities necessary to serve the Consortium's requested Reservation, the Consortium's Reservation request shall be deemed approved by the Utility Official.

In the event Houston constructs or acquires New Untreated Water Facilities for any reason but the Consortium does not desire capacity in the New Untreated Water Facilities and accordingly does not make a Reservation request under this Section 3.02(c), the Consortium shall owe Houston the Annual New Untreated Water Facilities Payment under Section 3.02(c)(2) (based on the Consortium's then-current Untreated Water Facilities Demand Allocation), but the Consortium shall not owe Houston the Payment for Existing Untreated Water Facilities under Section 3.02(c)(1).

The Payment for Existing Untreated Water Facilities and the Annual New Untreated Water Facilities Payment under this Section 3.02(c) shall be calculated based on the formula:

$$(A/B)C + (D/E)F$$

and shall be calculated as follows:

(1) Payment for Existing Untreated Water Facilities = $(A/B)C$

Where: "A" is the amount (in MGD) of the increase of the Consortium's Untreated Water Facilities Demand Allocation pursuant to a Reservation under this Section 3.02(c).

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year that precedes the fiscal year during which the Utility Official's written statement regarding lack of available capacity is issued, including such untreated surface water received at Houston's water treatment plants as well as billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities listed in **Exhibit "F"** as of the first day of Houston's fiscal year in which the Utility Official's written statement regarding lack of available capacity is issued.

(2) Annual New Untreated Water Facilities Payment = $(D/E)F$

Where: "D" is the then-current Untreated Water Facilities Demand Allocation, plus the amount, if any, (in MGD) that the Consortium seeks to increase its Untreated Water Facilities Demand Allocation upon completion of the New Untreated Water Facilities, as identified in the applicable Consortium Reservation request, if any, pursuant to this Section 3.02(c).

"E" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during the Houston fiscal year that precedes the date Houston calculates the Annual New Untreated Water Facilities Payment, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's

untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"F" is the Annual Outstanding Debt Service for all New Untreated Water Facilities as of the first day of the Houston fiscal year in which Houston calculates the Annual New Untreated Water Facilities Payment.

The Consortium shall pay Houston the Payment for Existing Untreated Water Facilities, if due under this Section 3.02(c), no later than sixty (60) days after the Consortium receives written certification from the Utility Official that construction of the New Untreated Water Facilities necessary to serve the Consortium's requested Reservation is complete.

In the event the Consortium, as indicated by a written notice from the Consortium to Houston, seeks to pay Houston the Payment for Existing Untreated Water Facilities over a maximum period of fifteen (15) years (with interest) in lieu of a lump sum payment, the Consortium and the Utility Official shall in good faith negotiate a separate written agreement providing for such payment terms. If the Consortium and the Utility Official are unable to enter into a separate written agreement upon terms mutually agreeable to both parties, then the Consortium shall be required to pay the Payment for Existing Untreated Water Facilities to Houston as a lump sum payment.

Within ninety (90) days after Houston's first issuance of bonds, notes, or other obligations to finance any New Untreated Water Facilities pursuant to this Section 3.02(c), Houston shall calculate the Annual New Untreated Water Facilities Payment according to the formula above and send written notice to the Consortium of Houston's calculation and the amount of the payment due from the Consortium for the fiscal year in which Houston issues such bonds, notes or other obligations. For each Houston fiscal year thereafter, Houston shall calculate the Annual New Untreated Water Facilities Payment according to the above formula and send written notice to the Consortium of Houston's calculation and the amount of the payment due from the Consortium within ninety (90) days of the last day of the previous Houston fiscal year. Each year, the Consortium shall pay Houston the Annual Untreated Water Facilities Payment within sixty (60) days of its receipt of such notice from Houston. The Consortium shall owe Houston the Annual Untreated Water Facilities Payment each year during the life of the Houston bonds, notes or other obligations used to finance the New Untreated Water Facilities or until this Contract is no longer in effect, whichever occurs first. To assist the Consortium in its financial planning, Houston shall, prior to the last day of each Houston fiscal year, send a written

statement to the Consortium of Houston's reasonable estimate of the Annual Outstanding Debt Service for the following three (3) Houston fiscal years.

Houston shall maintain each Annual New Untreated Water Facilities Payment in an interest-bearing account, which interest shall be credited to the account of the Consortium. Houston shall use the Annual New Untreated Water Facilities Payments, and interest accrued thereon, only for the purpose of paying Annual Outstanding Debt Service. Within one hundred eighty (180) days of the last day of each Houston fiscal year, Houston shall prepare an accounting of the Annual Outstanding Debt Service actually paid by Houston on the New Untreated Water Facilities during such fiscal year. Houston shall engage an independent certified public accounting firm to audit such accounting. Houston and the Consortium agree to "true-up" the Annual New Untreated Water Facilities Payment made by the Consortium such that if the Consortium has underpaid, taking into account interest accrued, it will pay Houston such shortfall within sixty (60) days of receiving the final audit, and Houston agrees to refund to the Consortium any overpayment, taking into account interest accrued, within sixty (60) days of Houston receiving the final audit if the Consortium overpaid.

In the event Houston intends to construct or acquire New Untreated Water Facilities for any reason, Houston shall send written notice to the Consortium of such intent at least one hundred eighty (180) days before Houston's first issuance of bonds, notes or other obligations to finance such New Untreated Water Facilities. If the Consortium desires to increase its Untreated Water Facilities Demand Allocation, it shall submit a Reservation request pursuant to this Section 3.02(c) within ninety (90) days after receipt of such notice of intent from Houston.

If the Consortium's Untreated Water Facilities Demand Allocation is increased pursuant to a Reservation under this Section 3.02(c), then the payment for all subsequent Reservations of the Untreated Water Facilities Demand Allocation (regardless of whether or not they require construction of New Untreated Water Facilities) shall be calculated and made pursuant to the hereinbefore formulas of this Section 3.02(c) and not Sections 3.02(a) or (b). If within ten (10) years after Houston's first issuance of bonds, notes, or other obligations to finance New Untreated Water Facilities pursuant to this Section 3.02(c) (the "Ten Year Period"), the Consortium submits a Reservation request that does not require the construction of New Untreated Water Facilities, the Consortium shall pay Houston the Payment for Untreated Water Facilities Costs Avoided. The Payment for Untreated Water Facilities Costs Avoided shall equal

the total dollar amount, without interest or penalty, of the Payment for Existing Untreated Water Facilities and the total accrued Annual New Untreated Water Facilities Payments which would have been paid by the Consortium, according to the hereinbefore formulas of this Section 3.02(c), had the Consortium made a Reservation request for such increase prior to Houston's first issuance of bonds, notes, or other obligations to finance the New Untreated Water Facilities. The Payment for Untreated Water Facilities Costs Avoided shall be made to Houston within one hundred twenty (120) days of the Consortium's receipt of the Utility Official's approval of such later Reservation request. The Consortium shall not owe Houston the Payment for Untreated Water Facilities Costs Avoided if: (i) the Consortium submits a Reservation request within the Ten Year Period that requires the construction of New Untreated Water Facilities; or (ii) the Consortium submits a Reservation request, regardless of whether or not it requires construction of New Untreated Water Facilities, after the Ten Year Period.

Section 3.03 Treated Water Capital Costs.

Treated Water Facilities Demand Allocation shall mean 2.12 MGD; provided, however, that in the event the Consortium increases its Treated Water Facilities Demand Allocation pursuant to the terms of this Contract, then Treated Water Facilities Demand Allocation shall mean such total increased amount.

Except as provided elsewhere in this Section 3.03, the Consortium shall pay Houston its pro-rata Treated Water Facilities Capital Contribution for the Plant Facilities and the Transmission Facilities (collectively, the "Treated Water Facilities") as follows: (i) for Treated Water Facilities constructed prior to the effective date of this Contract or those Treated Water Facilities listed in Exhibits "B" and "E", upon the later of (A) ninety (90) days after the effective date of this Contract or (B) the date that the Consortium's GRP is certified by the HGCSD, but in no event later than January 1, 2004; (ii) for Treated Water Facilities constructed prior to the date of the Utility Official's written consent of any Reservation request from the Consortium, no later than sixty (60) days after the Consortium receives the Utility Official's written consent for the Consortium to increase its Treated Water Facilities Demand Allocation; and (iii) for Treated Water Facilities not constructed prior to the date of the Utility Official's written consent of any Reservation request from the Consortium, sixty (60) days after receipt of the Utility Official's reasonable estimate of the Treated Water Facilities Capital Contribution.

The cost for any Reservation of Treated Water Facilities Demand Allocation shall be in accordance with the formulas set forth in this Section 3.03. Upon request from the Consortium,

Houston shall promptly provide the Consortium with Houston's cost calculation, in accordance with the cost formulas in this Section 3.03, for any Reservation of the Treated Water Facilities Demand Allocation, that at that time may be under consideration by the Consortium. Any Consortium written request for such a Reservation shall include Houston's cost calculation. The Utility Official shall either approve or reject, in writing, the Consortium's Reservation request within ninety (90) days after receipt of such request. If the Utility Official fails to approve such request within such ninety (90)-day period, the Reservation request shall be deemed rejected. A Reservation for Treated Water Facilities not constructed prior to the date of the Reservation request must be approved by the Board of Directors of No. 33 on behalf of the Consortium before Houston will commence design and construction of the designated Treated Water Facilities.

- (1) For Treated Water Facilities that are in service before the effective date of the Contract or the date of any Reservation request, the Consortium's pro-rata Treated Water Facilities Capital Contribution is based on the formula:

$$\text{Treated Water Facilities Capital Contribution} = (A - B) \times (C/D)$$

- (2) For Treated Water Facilities that are not in service before the effective date of any Reservation request, the Consortium's pro-rata Capital Contribution is based on the formula:

$$\text{Treated Water Facilities Capital Contribution} = A \times (C/D)$$

Where: "A" is the Treated Water Facilities Capital Costs of the Treated Water Facilities.

"B" is the amount of depreciation calculated by applying the 50-year straight line depreciation method for the period of time running between the in-service date of the facilities and the effective date of the Contract, or for any Reservation made by the Consortium, the date of such Reservation request (i.e. 2% of Treated Water Facilities Capital Costs per year).

"C" is the Treated Water Facilities Demand Allocation in MGD to be purchased.

"D" is the capacity in MGD of the particular facility. The capacity for transmission lines shall be calculated at a flow rate of 5 feet per second.

The Consortium may defer payment of the Treated Water Facilities Capital Contribution for the initial 2.12 MGD Treated Water Facilities Demand Allocation for the period of time running from the date payment is due pursuant to this Section 3.03 to the date payment is made, but no later than commencement of the delivery of Water, by annually paying Houston an annual interest payment ("Annual Interest Payment"). The Annual Interest Payment shall be calculated by multiplying the Treated Water Facilities Capital Contribution times the Interest Rate. If the Consortium does not pay Houston the Treated Water Facilities Capital Contribution on the date payment is due pursuant to this Section 3.03, then the Consortium shall pay Houston the Annual Interest Payment on such date and, thereafter, on the anniversary date of such payment until the Consortium has paid Houston the Treated Water Facilities Capital Contribution. Because the Annual Interest Payment constitutes the payment of annual interest in advance, in the event the Consortium pays Houston the Treated Water Facilities Capital Contribution prior to the anniversary date of any Annual Interest Payment made by the Consortium, Houston shall, within sixty (60) days of its receipt of the Treated Water Facilities Capital Contribution, refund to the Consortium, with interest at the Interest Rate, the pro-rated portion of such Annual Interest Payment based on the amount of days remaining in such annual period. Houston shall not be required to deliver Water to the Consortium until the Consortium has paid Houston its Treated Water Facilities Capital Contribution for the Treated Water Facilities Demand Allocation of 2.12 MGD, plus any interest costs due from the Consortium to Houston pursuant to this paragraph.

In the event there is no final design and construction for the Treated Water Facilities on the date that any Reservation request is submitted by the Consortium to the Utility Official, the pro-rata Treated Water Facilities Capital Contribution shall be paid in two (2) increments:

(i) For the pro-rata Treated Water Facilities Capital Contribution for design engineering services, including surveys, soils boring and testing, as well as design services, the Utility Official must provide the Consortium a reasonable estimate of the pro-rata Treated Water Facilities Capital Contribution for such services based on Houston's contract with the design engineer. The Consortium shall deposit with Houston the amount of the Utility Official's reasonable estimate within sixty (60) days of its receipt of such estimate.

(ii) For the pro-rata Treated Water Facilities Capital Contribution for the cost of construction of the Treated Water Facilities, the Utility Official must provide the Consortium a reasonable estimate of the pro-rata Treated Water Facilities Capital Contribution for the

construction based on the lowest responsible bid received plus estimated costs for construction management, engineering, testing services and a 15% contingency. The Consortium shall deposit with Houston the amount of the Utility Official's reasonable estimate within sixty (60) days of its receipt of such estimate.

All Consortium pro-rata Treated Water Facilities Capital Contribution deposits shall be kept by Houston in an account. Houston shall spend money from the account only for Treated Water Facilities Capital Costs and/or debt service.

Within ninety (90) days of the acceptance of the completed construction of the subject Treated Water Facilities, Houston shall cause an accounting to be made of the Treated Water Facilities Capital Costs. Houston shall engage an independent certified public accounting firm to audit its accounting. As soon as the firm has completed the audit, Houston shall submit the audited accounting to the Consortium. The accounting shall state the difference between the estimated Treated Water Facilities Capital Costs that were paid by the Consortium and the actual Treated Water Facilities Capital Costs.

If the actual Treated Water Facilities Capital Costs, as determined by the audited accounting, are less than the estimated Treated Water Facilities Capital Costs paid by the Consortium, resulting in an overpayment by the Consortium of its pro-rata share, Houston shall refund such difference with actual interest accrued, within ninety (90) days of the date of the receipt of the accounting by the Consortium.

If the actual Treated Water Facilities Capital Costs, as determined by the accounting, are more than the estimated Treated Water Facilities Capital Costs paid by the Consortium, resulting in an underpayment by the Consortium of its pro-rata share, the Consortium shall pay Houston, within ninety (90) days of the date of the receipt of the accounting by the Consortium, such difference with interest calculated at the actual interest rate of the debt incurred by Houston in order to pay for such difference, running from the time Houston paid for the Consortium's pro-rata share of Treated Water Facilities Capital Costs (resulting from such Consortium underpayment) to the time such underpayment is paid to Houston by the Consortium.

The Treated Water Facilities applicable to the Consortium and the corresponding Treated Water Facilities Capital Contribution calculations for such Treated Water Facilities are shown on **Exhibit "G"** hereto.

ARTICLE IV

Operation and Maintenance Charges

Section 4.01 In General.

It is expressly understood by the Consortium that it shall directly reimburse Houston on a periodic basis for the expenses incurred in producing and treating the Water delivered to the Consortium. The Consortium pledges to enact rates and fees for its members sufficient to pay the O&M Expenses.

Section 4.02 O&M Expenses Calculation.

For the purposes of this Contract, the yearly O&M Expenses for the Consortium are computed according to the following formula:

$$(A/B \times C) + (A/E \times D) + F$$

Where: "A" is the amount of Water (in millions of gallons) taken by the Consortium at the Point(s) of Measurement, as measured by the measuring equipment pursuant to Article VII, during the given year.

"B" is the total amount (in millions of gallons) of Water produced by the Plant Facilities during the given year.

"C" means all costs and expenses incurred by Houston (whether incurred by Houston through its own staff or independent contractors) for the maintenance and operation of the Plant Facilities, including (i) chemicals, labor, power, testing, permits, insurance, and other related costs, necessary for the efficient maintenance and operation of the Plant Facilities in full compliance with this Contract and all applicable regulatory requirements and the preparation costs of the Annual Audit; (ii) necessary repairs and replacements to the Plant Facilities; and (iii) improvements and betterments to maintain the Plant Facilities in proper operation and to comply with this Contract and all applicable regulatory requirements. The above costs and expenses include a proportionate share of administrative costs for management and support, resource management, planning and operations, the Office of the Director of Public Works as well as other indirect costs in the allocation percentage included in Houston's most recent finalized independent rate study. (The portion of such study showing such allocation percentage is attached hereto as **Exhibit "H"**.) At the time of execution of this Contract, this allocation is 27%. Except as provided herein, no cost of Houston's government not directly related to the maintenance and operation of the Plant Facilities shall be included in the factor "C".

"D" means all costs and expenses incurred by Houston (whether incurred by Houston through its own staff or by independent contractors) for the maintenance and operation of the Untreated Water Facilities, including, (i) chemicals, labor, power, testing, permits, insurance, and other related costs, necessary for the efficient maintenance and operation of the Untreated Water Facilities in full compliance with this Contract and all applicable regulatory requirements and the

preparation of costs of the Annual Audit; (ii) necessary repairs and replacements to the Untreated Water Facilities; and (iii) improvements and betterments to maintain the Untreated Water Facilities in proper operation and to comply with this Contract and all applicable regulatory requirements. No cost of Houston's government not directly related to the maintenance and operation of the Untreated Water Facilities shall be included in the factor "D".

"E" is the total amount of untreated surface water (in millions of gallons) sold to Houston's water customers during the given year, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"F" is the Consortium's pro rata share of the cost of (i) Major Rehabilitations and (ii) the repair and/or replacement of any portion of the Transmission Facilities. As used in this definition, the ratio for determining the share of the cost borne by the Consortium is a fraction, the numerator of which is the Consortium's then-current Treated Water Facilities Demand Allocation (in MGD) and the denominator of which is the total capacity (in MGD) of the entire facility subject to the Major Rehabilitation, repair, or replacement. The reasonable cost for such repairs, replacements and/or rehabilitations includes the same classes of costs identified in factor "C" above. Except as provided herein, no cost of Houston's government not directly related to the Major Rehabilitations or the repair and/or replacement of any portion of the Transmission Facilities shall be included in the factor "F". The capacities (in MGD) of the Plant Facilities and Transmission Facilities are shown in **Exhibit "I"**.

Section 4.03 Annual O&M Budget.

Ninety (90) days prior to the commencement of delivery of Water under this Contract, and ninety (90) days prior to the beginning of each Houston fiscal year thereafter, Houston shall provide the Consortium for its review and comment the proposed Annual O&M Budget showing (i) an estimate of the Consortium's O&M Expenses for the coming fiscal year, (ii) the proposed monthly payments to be paid by the Consortium for the fiscal year (1/12 of the Annual O&M Budget), and (iii) the amount of the O&M Reserve. Houston will also include in the proposed and final Annual O&M Budget the estimated water production by the Plant Facilities and the Untreated Water Facilities as well as the anticipated amount of Water to be sold to the Consortium.

The Consortium will have sixty (60) days to review and comment on the proposed Annual O&M Budget, and Houston agrees to provide such records and cost documents in its possession as the Consortium may reasonably require. At the end of the 60-day period Houston will consider the Consortium's comments and issue the final Annual O&M Budget ("Annual O&M Budget") and invoice.

Section 4.04 Payments of Consortium O&M Expenses.

Within thirty (30) days of its receipt of Houston's invoice and final Annual O&M Budget, the Consortium shall pay Houston the O&M Reserve and the first monthly payment of O&M Expenses. Each month thereafter, the Consortium shall make monthly payments to Houston in such equal amounts as required in the applicable Annual O&M Budget. Payments shall be due on the first of each month, and any payment more than sixty (60) days late shall bear interest at the rate applicable under Chapter 2251, Texas Government Code. Houston shall maintain the O&M Reserve in an interest-bearing account, which interest shall be credited to the account of the Consortium. Any portion of a monthly O&M Expenses payment made by the Consortium in excess of the actual monthly O&M Expenses incurred by Houston shall be credited to the account of the Consortium in the O&M Reserve.

Houston may use funds from the O&M Reserve only for O&M Expenses. Houston will use the funds out of the O&M Reserve to pay O&M Expenses only if the monthly O&M Expenses payment made by the Consortium is less than the actual monthly O&M Expenses incurred by Houston or if the payment of the monthly O&M Expenses is not timely made to Houston by the Consortium. Houston may invoice the Consortium for any shortfall in the O&M Reserve in order for the O&M Reserve to equal the amount established in the Annual O&M Budget, provided that any such invoice must include an accounting to justify the additional payment to the O&M Reserve. The Consortium shall pay such invoices within sixty (60) days of its receipt of Houston's accounting and invoice for replenishment of the O&M Reserve.

Section 4.05 Major Rehabilitations.

Houston shall perform such Major Rehabilitations as necessary for the operation and maintenance of the Plant Facilities and Transmission Facilities. Except for emergencies involving health or safety, Houston shall submit plans and specifications for such Major Rehabilitations to the Consortium for review and comment at least sixty (60) days prior to Houston advertising the project for bids. Costs for Major Rehabilitations shall be paid by the Consortium in the ratio of its Treated Water Facilities Demand Allocation to the capacity of the facility requiring the Major Rehabilitation, as applicable. Provided, however, the Consortium shall never be required to pay for any portion of replacements, additions or improvements to facilities that provide capacity or Water solely to other customers.

Section 4.06 Annual Audit.

Within one hundred eighty (180) days of the close of each Houston fiscal year, Houston shall prepare an accounting of the O&M Expenses ("Annual Audit"). Houston shall engage an

independent certified public accounting firm to audit the accounting of costs of the O&M Expenses. As soon as the firm has completed the audit, Houston shall submit the audited accounting to the Consortium. Houston and the Consortium agree to "true-up" the previous payments made for O&M Expenses during the fiscal year such that if the Consortium has underpaid it will make timely payment of all O&M Expenses owed in the next monthly billing following the audit, and Houston agrees to give credit to the Consortium if it has overpaid O&M Expenses for the fiscal year, such credit, including any interest accrued in the O&M Reserve on such overpayments, shall be given on the next monthly billing(s) following the audit.

Houston agrees to provide both the independent auditor and the Consortium all expenses, meter readings and cost data required for the audit. The audit must include an itemization for the Consortium of all costs and meter recordings used to compute the O&M Expenses.

ARTICLE V

Term Provision

This Contract shall be in force and effect from and after the execution hereof by the Houston Controller and shall expire at noon on the fortieth (40th) anniversary of the date of countersignature by Houston's Controller. To the extent authorized by law, as amended, Houston agrees, if requested in writing by the Consortium, to execute a written extension of the term of this Contract for an additional twenty (20) years beyond such forty (40) year term. The Houston Mayor shall be authorized to execute such written extension. At such time as this Contract is no longer in force and effect, if requested in writing by the Consortium, Houston agrees to continue to provide water services to the Consortium upon the payment of reasonable rates and charges therefor which take into account the capital payments paid by the Consortium to Houston pursuant to this Contract and subject to the availability of Water. The immediately preceding sentence shall survive the expiration or termination of this Contract.

ARTICLE VI

Performance by the Parties

Section 6.01 Construction and Maintenance of Certain Facilities between the Point(s) of Delivery and Point(s) of Measurement.

Pursuant to Section 2.02 of the North Authority Contract, the North Authority will construct certain facilities downstream of the Point(s) of Delivery to enable it to receive water at the Point(s) of Delivery. Pursuant to that certain Agreement for Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities between the Consortium and the North Authority (the "Transmission Facilities Agreement"), the Authority

will be responsible for designing, constructing, operating, maintaining, repairing and replacing, as necessary, certain transmission facilities necessary to enable the Authority and the Consortium to receive Water from Houston at the Point(s) of Delivery, and the Consortium shall be responsible for paying its pro rata share of the costs associated therewith. With respect to any Water handling facilities located between the Point(s) of Delivery and the Point(s) of Measurement shown in **Exhibit "C" and Exhibit "D"**, the Consortium and Houston specifically agree:

- (1) That all such facilities, other than the measurement equipment itself, shall be and remain the property of the North Authority.
- (2) That the Consortium, pursuant to the Transmission Facilities Agreement, shall take all responsible steps to maintain such facilities and to prevent leaks or discharges from such facilities and shall not suffer, permit, cause or allow any water to be taken or used from such facilities, except through the measuring equipment.
- (3) That the Consortium, pursuant to the Transmission Facilities Agreement, shall repair any such leak or discharge at once upon receiving notice thereof and pay Houston the cost of any Water lost by reason of such a leak or discharge. The Consortium shall make payment to Houston for such Water only by Houston including the amount of such Water in the factor "A" defined in Section 4.02. Calculation of the amount of Water lost by reason of such leak shall be estimated on a basis mutually agreed to between the Consortium and the Utility Official.
- (4) That the Consortium, pursuant to the Transmission Facilities Agreement, shall correct or repair any damage caused by any such leak or discharge.

Section 6.02 Tap and Meter.

The Consortium shall construct, at its sole cost, water connection taps and set the water meter(s) at the Point(s) of Measurement under the approval and inspection of the Utility Official. The Consortium also agrees to provide a telephone and electronic connection accessible at the Point(s) of Measurement and allow Houston to connect remote meter reading equipment to such telephone line.

Before any connection, the Consortium System shall be chlorinated in accordance with requirements approved by the Utility Official.

Section 6.03 Delivery Limitations.

The Consortium shall not be guaranteed any specific quantity or pressure of Water whenever Houston's water supply is limited or when Houston's equipment may become inoperative due to unforeseen breakdown or scheduled maintenance and repairs. Should delivery of Water be limited as a result of scheduled maintenance or repairs, Houston shall provide written notification of such scheduled maintenance or repairs at least 30 days prior to same. Houston is in no case to be held to any liability for failure to furnish any specific amount or pressure of Water; provided, however, that Houston shall use reasonable efforts to deliver the Water required by this Contract and to maintain sufficient pressure at the Point(s) of Delivery in order for the Consortium to receive the Water it is entitled to under this Contract. Notwithstanding the other provisions of this Section 6.03, Houston may reduce the supply of Water only in accordance with the laws of the State of Texas, particularly Section 11.039(a) of the Texas Water Code, as may be amended from time to time.

Section 6.04 Backflow Requirements.

On or before the commencement of delivery of Water to the Consortium pursuant to this Contract, the Consortium shall have installed an air gap or backflow prevention device, in accordance with the specifications approved by the Utility Official, at either: (i) each Point of Delivery or Point of Measurement; or (ii) at each location where the Consortium System connects to the water system of a Consortium member. The Consortium and the Utility Official shall agree in writing as to the location of all air gaps or backflow prevention devices installed by the Consortium.

Section 6.05 Water Conservation.

The Consortium shall approve and implement a water conservation program as required by the Texas Commission on Environmental Quality pursuant to 30 T.A.C. § 288, as may be amended from time to time.

Section 6.06 Inspections.

The Consortium agrees that Houston may conduct inspections from time to time to determine that no conditions exist in the Consortium System and connections to its members' premises which would or might adversely affect the Houston System. Houston shall notify the Consortium should such condition exist. Such notification shall be provided in writing and shall be made within forty-eight (48) hours of discovering any such condition.

Section 6.07 Inspection of Records.

With reasonable notice, either party shall allow the other the opportunity to examine records from the other party for the purpose of evaluating the costs for which payments are requested or required hereunder.

Section 6.08 Payment.

In the event the Consortium fails to timely tender payment of any amount within the periods established herein, and such failure continues for sixty (60) days after the notice to the Consortium of such default, Houston may suspend delivery of Water, but the exercise of such right shall be in addition to any other remedy available to Houston.

Section 6.09 Title to and Responsibility for Water.

Title to, possession, and control of Water shall remain with Houston until it passes through the Point(s) of Delivery, where title to, possession, and control of the Water shall pass from Houston to the Consortium.

ARTICLE VII

Measuring Equipment

Section 7.01 In General.

At the Consortium's own cost and expense, the Consortium shall provide for installation at the Point(s) of Measurement, measuring equipment, properly equipped with meters and devices of standard type for measuring accurately the quantity of Water delivered under this Contract, with ability to measure the quantity of Water delivered within the accuracy tolerance of two percent (2%). Such measuring equipment, including the remote meter reading device, must be inspected and approved by the Consortium and by the Utility Official before the delivery of Water. The measuring equipment and remote meter reading device shall become the property of Houston after such approval by the Consortium and Utility Official.

Section 7.02 Access.

During any reasonable hours, Houston and the Consortium shall have access to the measuring equipment. The Consortium recognizes that Houston will own and maintain the measuring equipment, including the associated meter reading device, and that the Consortium may not alter, modify, tamper with or connect to such equipment.

The Consortium shall have access to all records pertinent to determining the measurement and quantity of Water actually delivered, but the reading of the meters for purposes

of the calculation of any payment required from the Consortium under this Contract shall be done by Houston.

Section 7.03 Testing of Meter.

Houston shall maintain the measuring equipment within the accuracy tolerance specified in Section 7.04 by periodic tests. Houston shall conduct such tests at least once every twelve (12) months and shall notify the Consortium at least forty-eight (48) hours in advance of the time and location at which such tests are to be made. If the Consortium requests an additional test within twelve (12) months, Houston shall charge the Consortium an amount equal to Houston's cost to perform such test, unless the test reveals that the equipment registers greater than one hundred and two percent (102%) for a given flow rate. In addition, the Consortium shall have the right to independently check, at its own cost, said measuring equipment at any time upon forty-eight (48) hours written notification to the Utility Official, providing the opportunity for the Utility Official to witness such tests.

Section 7.04 Results of Tests.

Should the test of the measuring equipment in question show that the equipment registers either more than one hundred two percent (102%) or less than ninety-five percent (95%) of the Water delivered for a given flow rate, the total quantity of Water delivered to the Consortium will be deemed to be the average daily consumption as measured by the measuring equipment when in working order, and the meter 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 Houston with accurate measuring equipment 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 measuring equipment or one hundred twenty (120) days, whichever is shorter.

As used in this paragraph, the expression "given rate of flow" means one of the following selected by the Utility Official for each calibration or test:

- (1) the total quantity of Water delivered during the preceding period (usually a calendar month) as reflected by the totalizer, converted to gallons per minute;
- (2) high, low, and intermediate rates of flow in the flow range, as reflected by the flow recording devices; or
- (3) AWWA-specified test flow rates for that size and type of meter.

Section 7.05 Disputes as to Testing.

In the event of a dispute between Houston and the Consortium as to the accuracy of the testing equipment used by Houston to conduct the accuracy test, an independent check may be mutually agreed upon between the Consortium and the Utility Official to be conducted by an independent measuring equipment company suitable to both the Consortium and the Utility Official. The cost of such test will be at the Consortium's sole expense.

The Utility Official shall accept the test results of the independent measuring equipment company, provided that the calibration procedure and test equipment are mutually agreeable to the Consortium and to the Utility Official.

Section 7.06 Check Meters.

The Consortium may install, at its own cost and expense, check meters in the Consortium's pipeline; but Houston shall have the right of ingress and egress to such check meters during all reasonable hours; provided, however, that billing computations shall be on the basis of the results of the measuring equipment set forth above.

Section 7.07 Measurement of Consortium Water Usage.

Pursuant to the Transmission Facilities Agreement, the Consortium will participate in the financing, design, construction, operation and maintenance of certain surface water transmission facilities, primarily a sixty-inch (60") pipeline, to be constructed downstream of the Houston System from the Point of Delivery through the service area of the Consortium and to a proposed North Authority pump station, which will enable the Consortium to receive surface water from the Houston System to serve its members. Pursuant to Section 6.02 above, the Consortium shall construct water connection taps and set the water meters at the Points of Measurement described on Exhibit "D" hereto. Houston will read the water meters located at such Points of Measurement to determine the Consortium's Water Usage hereunder. Since the Water passing through the Point of Measurement defined in the North Authority Contract will include both the Consortium's and the North Authority's Water consumption, the Consortium, Houston and the North Authority have entered into or intend to enter into a letter agreement, in substantially the form attached hereto as Exhibit "J" (the "Letter Agreement"), to evidence their collective understanding and agreement with respect to the measurement and allocation of Water purchased from Houston by the Consortium and the North Authority pursuant to this Contract and the North Authority Contract, respectively, as well as other matters. The Consortium shall not be authorized to receive Water from Houston under this Contract until the Letter Agreement has been fully executed by the Consortium, Houston and the North Authority.

ARTICLE VIII

Miscellaneous Provisions

Section 8.01 Quality of Water.

Houston shall provide Water meeting all applicable Texas and Federal regulations regarding water quality, including the Safe Drinking Water Act, as same may be amended from time to time.

EXCEPT AS PROVIDED IN SECTIONS 6.03 AND 8.01, HOUSTON MAKES NO WARRANTY, EXPRESSED OR IMPLIED, REGARDING THE QUALITY OR DELIVERY PRESSURE OF THE WATER, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

THE CONSORTIUM HEREBY RELEASES AND DISCHARGES HOUSTON FROM ANY AND ALL FINES, DEMANDS, JUDGMENTS, LIABILITIES OR CLAIMS ARISING BY REASON OF OR IN CONNECTION WITH THE DELIVERY OF WATER WHICH MEETS THE REQUIREMENTS OF SECTIONS 6.03 AND 8.01.

Section 8.02 Ingress and Egress.

During the term of this Contract, and upon the giving of prior notification to the Consortium, Houston shall have the right of ingress and egress in, upon, under and over any and all land, easements and rights-of-way of the Consortium on which Houston, with the Consortium's consent, constructs facilities to deliver Water to the Consortium.

Section 8.03 Assignments.

This Contract shall bind and benefit the respective parties and their legal successors, but shall not otherwise be assignable, in whole or in part, by either party without first obtaining written consent of the other. "Assignment" as used herein means assignment in law or otherwise. **Notwithstanding the above provision, this Contract may be assigned by No. 33 on behalf of the Consortium to the Central Harris County Regional Water Authority (the "Central Authority") if and when duly created, without the prior written consent of Houston, in which event the Central Authority shall assume all rights and benefits, and obligations and liabilities of No. 33 and the Consortium hereunder. However, the Consortium shall provide written notice to Houston of any such assignment of this Contract to the Central Authority within thirty (30) days of the effective date thereof, and shall also provide Houston with a copy of any amendment of the Central Harris County Water Users Consortium Agreement.**

Section 8.04 Subject to Law.

This Contract shall be subject to all present and future valid laws, orders, rules and regulations of the United States of America, the State of Texas, any regulatory body having jurisdiction and the Charter and Ordinances (to the extent the Ordinances are not inconsistent with this Contract) of the City of Houston, Texas. In order to protect the Houston System it is specifically agreed that the Consortium System shall be constructed and operated to comply with the rules promulgated by the Texas Commission on Environmental Quality, or any successor agency, the Houston Plumbing Code, and the policy of requirements of the Utility Official regarding backflow prevention and cross connections. Should a condition in violation of these requirements be discovered, the Consortium shall promptly cure same.

Section 8.05 No Additional Waiver Implied.

The failure of either party hereto to insist, in any one or more instances, upon performance of any of the terms, covenants or conditions of this Contract, shall not be construed as a waiver or relinquishment of the future performance of any such term, covenant or condition by the other party hereto, but the obligation of such other party with respect to such future performance shall continue in full force and effect.

Section 8.06 Merger.

This instrument contains all the agreements made between the parties.

Section 8.07 Notices.

Until the Consortium is otherwise notified in writing by Houston, the address of Houston is and shall remain as follows:

City of Houston
Utility Official of Public Works and Engineering Department
P.O. Box 1560
Houston, Texas 77251-1560

Until Houston is otherwise notified in writing by the Consortium, the address of the Consortium is and shall remain as follows:

Central Harris County Water Users Consortium
Schwartz, Page & Harding, L.L.P.
1300 Post Oak Boulevard, Suite 1400
Houston, Texas 77056

All written notices, statements and payments required or permitted to be given under this Contract from one party to the other shall be deemed given by the deposit in a United States Postal Service mailbox or receptacle of certified or registered mail, with proper postage affixed

thereto, addressed to the respective other party at the address set forth above or at such other address as the parties respectively shall designate by written notice.

Section 8.08 Authorship.

The parties agree that this Contract shall not be construed in favor of or against either party on the basis that the party did or did not author this Contract.

Section 8.09 Parties in Interest.

This Contract shall be for the sole and exclusive benefit of the parties hereto and shall not be construed to confer any rights upon any third party. Houston shall never be subject to any liability in damages to any customer of the Consortium for any failure to perform under this Contract.

Section 8.10 Sale of Water Outside Boundaries.

In entering into this Contract the parties contemplate that the Consortium will provide the Water to the Consortium Members only. Therefore, the Consortium may sell Water purchased hereunder outside its boundaries only if such sale is approved in writing by the Utility Official. The Utility Official shall grant any such request if the area is outside Houston's city limits and is not then provided Water service by Houston.

Section 8.11 Captions.

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

Section 8.12 Enforcement.

The City Attorney or his or her designee shall have the right to enforce all legal rights and obligations under this Contract without further authorization.

Section 8.13 Approvals.

Unless otherwise provided for herein, any consent or approval of the parties shall be made by the governing body of each party.

Section 8.14 Force Majeure.

In the event either party is rendered unable, wholly or in part, by Force Majeure, to carry out any of its obligations under this Contract, it is agreed that upon such party's giving notice and full particulars of such Force Majeure in writing to the other party as soon as possible after the occurrence of the Force Majeure, the obligations of the party giving such notice, to the extent it

is affected by Force Majeure and to the extent that due diligence is being used to resume performance, shall be suspended for the duration of the Force Majeure. Such cause shall, as far as possible, be remedied with all reasonable dispatch.

Section 8.15 Force Majeure Defined.

The term "Force Majeure," as used herein, shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery, pipelines or canals, and any other incapacities of either party, whether similar to those enumerated or otherwise, and not within the control of the party claiming such inability, which by the exercise of due diligence and care such party could not have avoided.

Section 8.16 Default and Remedies.

Default shall occur only in the event either party fails to adhere to its respective obligations hereunder. In such event, the non-defaulting party shall give the defaulting party: (i) written notice describing such default and the necessary cure therefor; and (ii) the opportunity to cure such default within no less than thirty (30) days of receipt of such notice. If the default is cured within the specified time period to the satisfaction of the non-defaulting party, then no further action shall be taken by the non-defaulting party. If the default is not cured within the specified time period to the satisfaction of the non-defaulting party, the non-defaulting party may pursue any available remedies existing at law or in equity. This Section 8.16 shall not be considered as specifying the exclusive remedy or procedure for remedy for any default, and all remedies existing at law and in equity are to be available to either party; provided, however, that the parties may submit their dispute in good faith to non-binding mediation, the costs of which will be shared equally by the parties, prior to either party filing suit for any default under this Contract.

Section 8.17 Responsibility for Groundwater Reduction Plan.

No. 33, acting on behalf of the Consortium, shall be responsible for adopting, obtaining HGCSO approval of and administering the Consortium's Groundwater Reduction Plan (the "GRP"). Houston shall be responsible for adopting, obtaining HGCSO approval of and administering its GRP.

Section 8.18 Payment Dates.

If the Consortium and the Utility Official mutually agree in writing, the due dates of any payments due under this Contract within any particular calendar year may be modified such that such payments become due on the same date within each calendar year.

Section 8.19 Severability.

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

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Contract in multiple copies, each of which shall be deemed to be an original, effective on the date of countersignature indicated below.

"Houston"

"No. 33"

CITY OF HOUSTON, TEXAS

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 33, on behalf of the Central Harris County Water Users Consortium

By: Joe P. Brown
Mayor

By: [Signature]
President, Board of Directors

Executed for and on behalf of City pursuant to authority granted by the City Council Ordinance No. 2003-1138 passed 11-25, 2003, 200_, a copy of which is attached hereto for reference.

ATTEST/SEAL
By: [Signature]
Secretary, Board of Directors

DATE APPROVED: 11-20-03

ATTEST/SEAL
[Signature]
City Secretary

APPROVED:
[Signature]
Director, Department of Public Works and Engineering

APPROVED AS TO FORM:
By: Abraham Putinsley
General Counsel to the Consortium

APPROVED AS TO FORM:
[Signature]
Sr. Assistant City Attorney
L.D. File No. 80-99041-01

COUNTERSIGNED BY:
[Signature]
City Controller

DATE COUNTERSIGNED: 12/5/03

EXHIBITS

- Exhibit "A" - Existing Untreated Water Facilities
- Exhibit "B" - Plant Facilities
- Exhibit "C" - Point(s) of Delivery
- Exhibit "D" - Point(s) of Measurement
- Exhibit "E" - Transmission Facilities
- Exhibit "F" - Initial Untreated Water Facilities Demand Allocation, Outstanding Debt (as of June 30, 2001) and Amount of Factor "B" for Payment for Existing Untreated Water Facilities
- Exhibit "G" - Treated Water Facilities applicable to the Consortium and corresponding Treated Water Facilities Capital Contribution Calculations
- Exhibit "H" - Houston's Finalized Independent Rate Study
- Exhibit "I" - Capacities of the Plant Facilities and Transmission Facilities
- Exhibit "J" - Form of Letter Agreement by and among Houston, the Consortium and the North Authority

EXHIBIT "A"

EXISTING UNTREATED WATER FACILITIES

EXHIBIT A: Houston's Existing Untreated Water Facilities

- 1 Coastal Water Authority (General)
- 2 Trinity/Lynchburg Pump Stations
- 3 Conveyance System

- 4 Trinity River Authority (General)
- 5 Lake Livingston Improvements

- 6 Lake Houston Dam/Reservoir

- 7 Wallisville Lake Project
- 8 Dayton Canal
- 9 Allens Creek Reservoir Land Purchase

- 10 Water Rights

EXHIBIT "B"

PLANT FACILITIES

EXHIBIT B : PLANT FACILITIES -- NORTHEAST WATER PURIFICATION PLANT

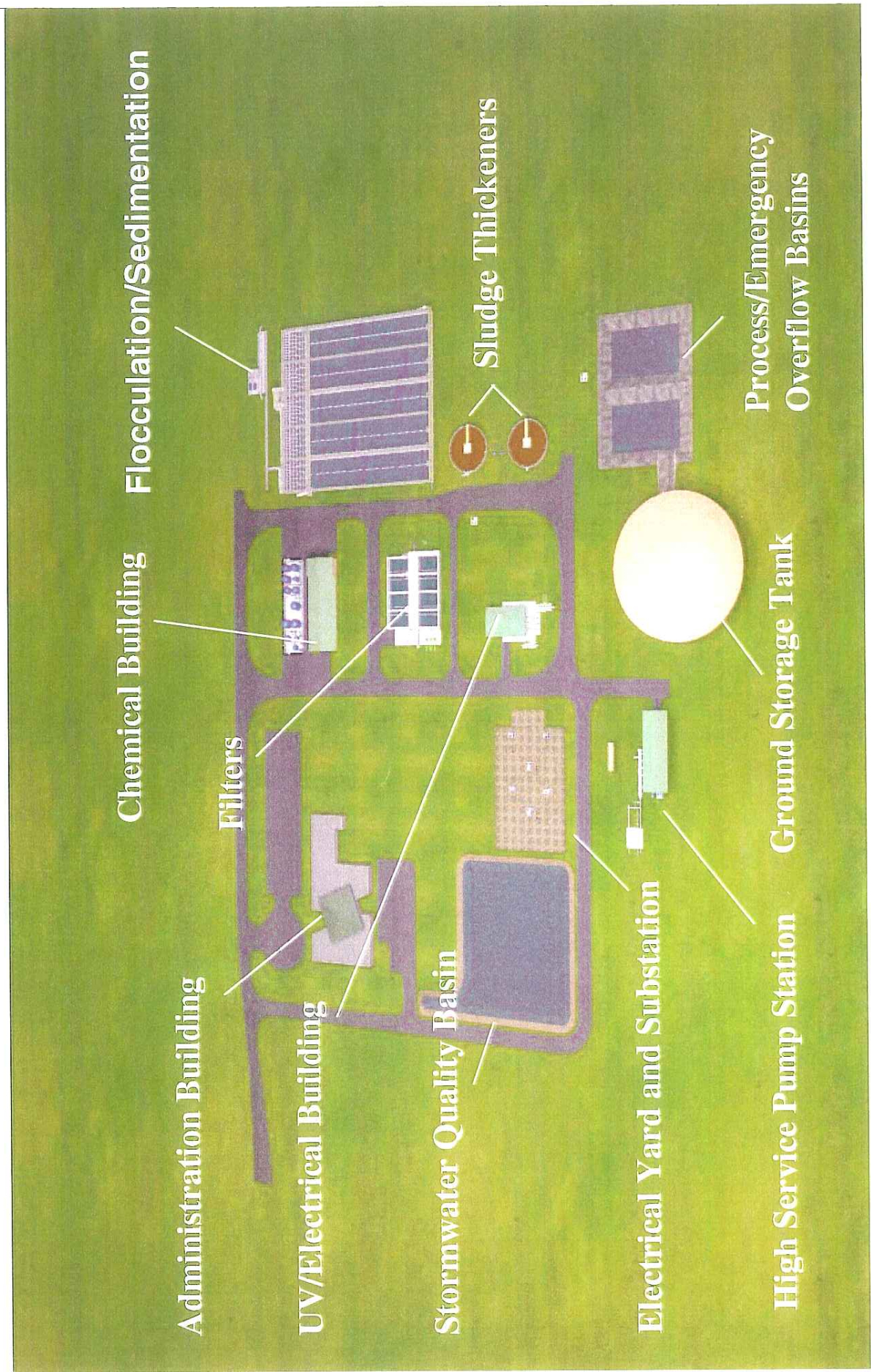


EXHIBIT "C"

POINT(S) OF DELIVERY

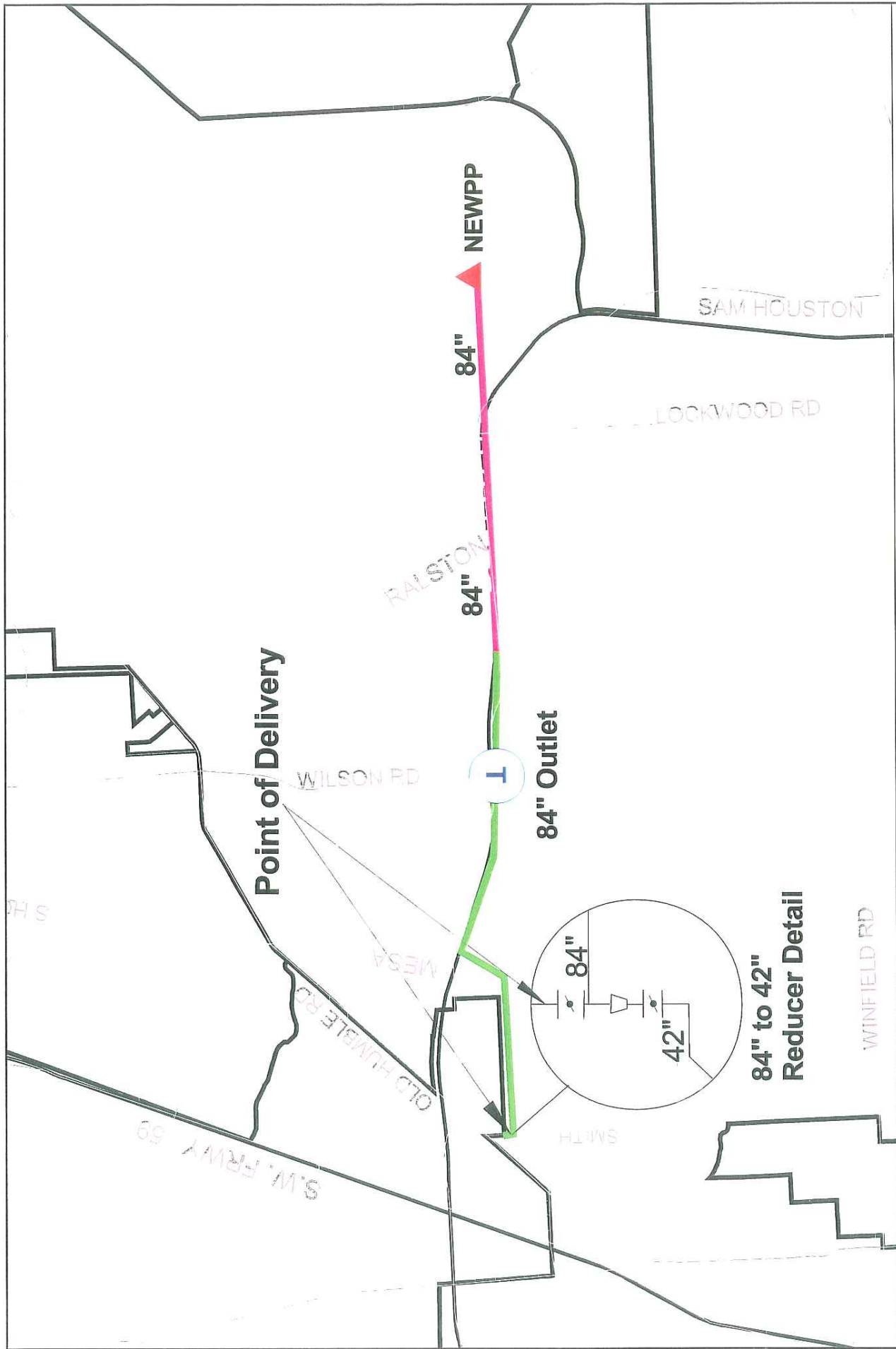


Exhibit C Point of Delivery

DEPARTMENT OF PUBLIC WORKS AND ENGINEERING
PUBLIC UTILITIES DIVISION





-  Houston city limits
-  NEWPP transmission lines
-  Highway
-  Minor streets

EXHIBIT "D"

POINT(S) OF MEASUREMENT

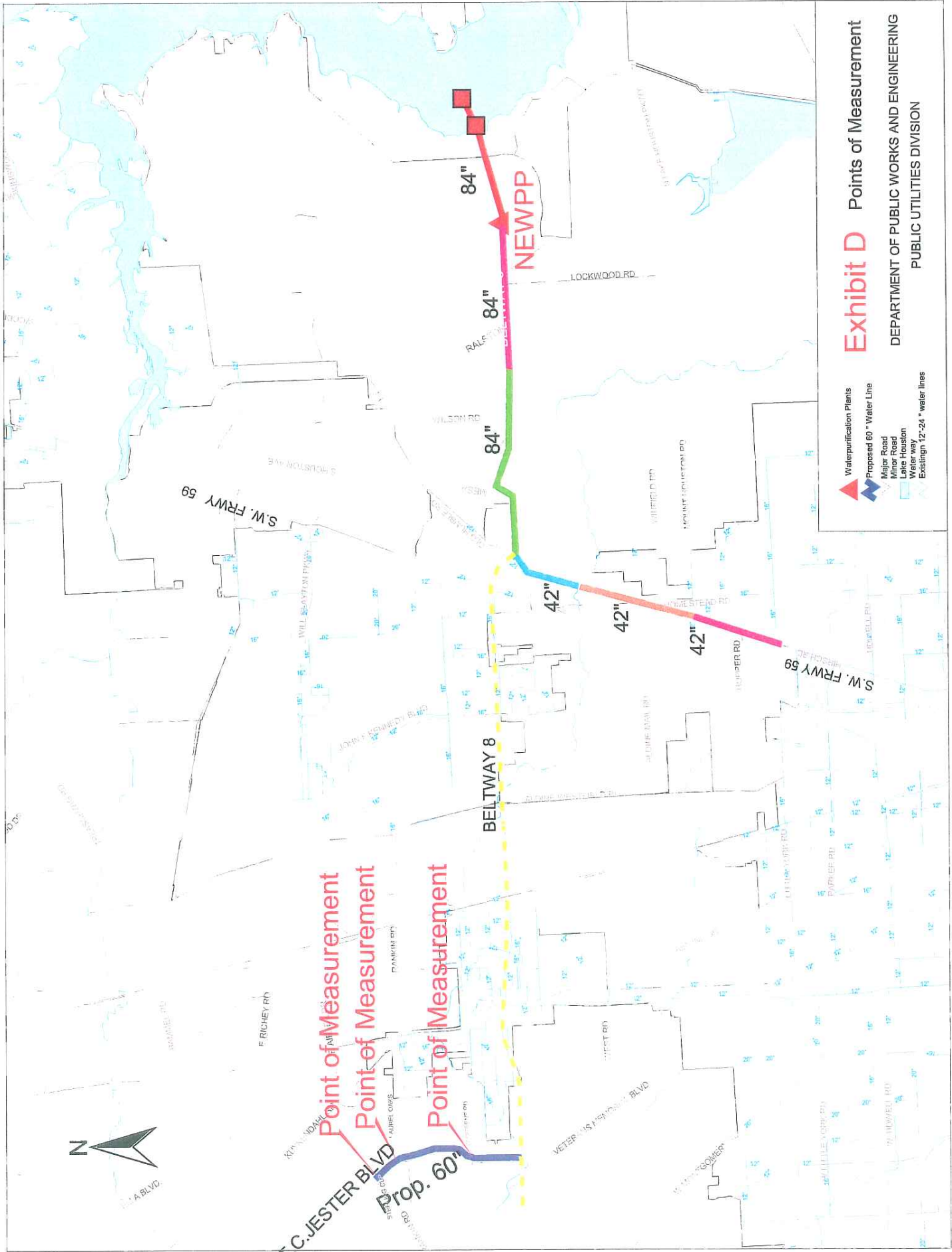


Exhibit D Points of Measurement
 DEPARTMENT OF PUBLIC WORKS AND ENGINEERING
 PUBLIC UTILITIES DIVISION

- Waterpurification Plants
- Proposed 60" Water Line
- Major Road
- Minor Road
- Lake/Houston
- Water way
- Existing 12"-24" water lines

Point of Measurement
 Point of Measurement
 Point of Measurement
 Prop. 60"



T.C. JESTER BLVD
 S.W. FRWY 59

BELTWAY 8

NEWPP

84"

84"

84"

42"

42"

42"

S.W. FRWY 59

A BLVD.

F. RICHEY RD

KIPPENHAY RD

WILSON RD

LOCKWOOD RD

VETERANS BLVD

W. T. COBB RD

PARKER RD

W. HAYBEL RD

WILSON RD

WILFIELD RD

POINT HICKORY RD

WALSTEAD RD

HUNTER RD

WILSON RD

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EXHIBIT "E"

TRANSMISSION FACILITIES

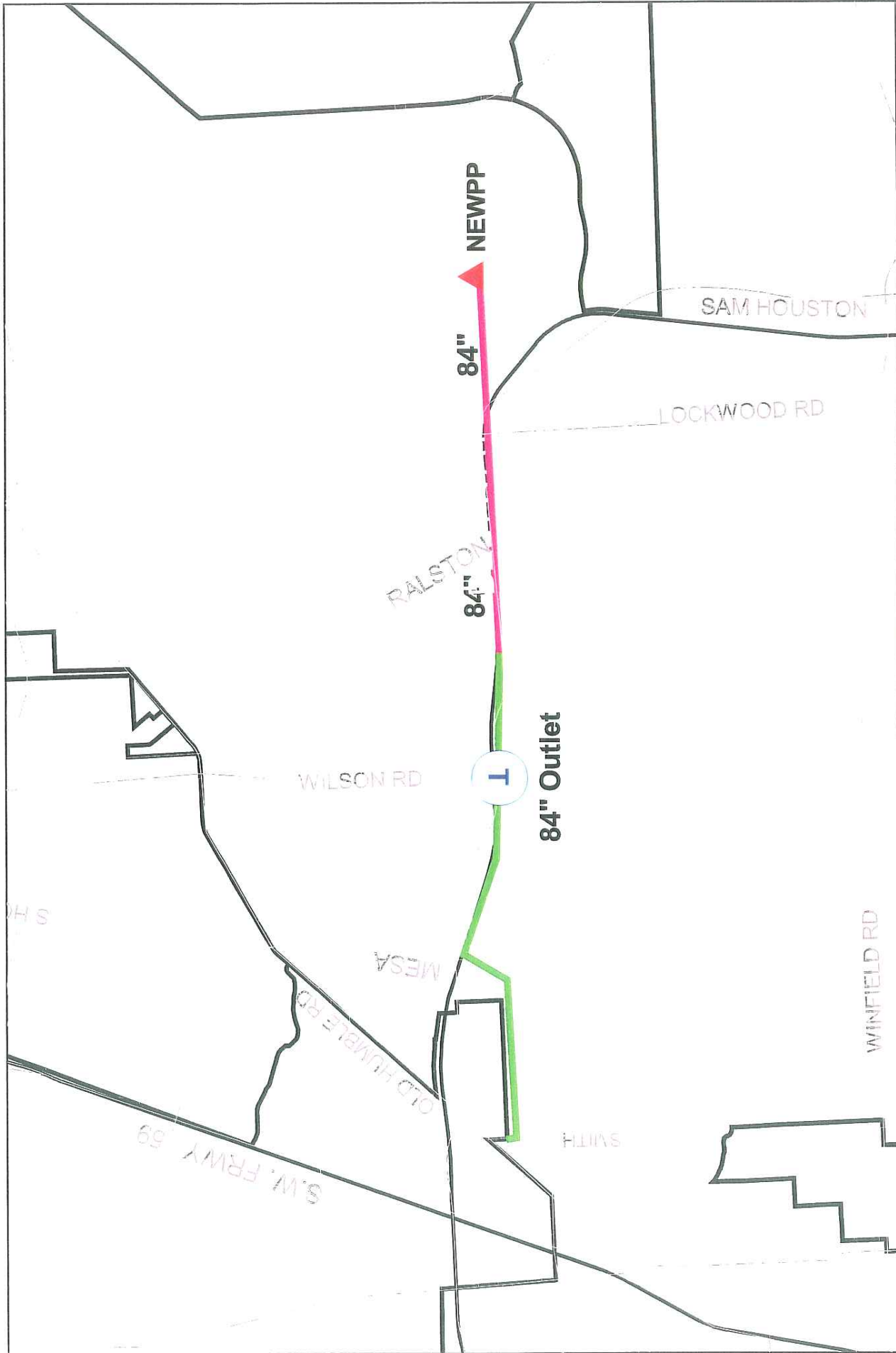


Exhibit E Transmission Facilities

DEPARTMENT OF PUBLIC WORKS AND ENGINEERING
PUBLIC UTILITIES DIVISION

-  Houston city limits
-  NEWPP transmission lines
-  Highway
-  Minor streets

EXHIBIT "F"

INITIAL UNTREATED WATER FACILITIES DEMAND ALLOCATION,
OUTSTANDING DEBT (AS OF JULY 1, 2002) AND AMOUNT OF FACTOR "B" FOR
PAYMENT OF EXISTING UNTREATED WATER FACILITIES

EXHIBIT F: Initial Untreated Water Facilities Demand Allocation to be purchased by the CHCWUC, The Outstanding Debt, and the total amount (in MGD) of Factor "B"

Consortium's Prorata Share of Houston's
 Untreated Water Facilities Current Outstanding Debt For Initial Demand Allocation (A/B)C = \$1,578,523

Where

Factor A = Initial Demand Allocation for the Consortium

Year	Demand Allocation (MGD)
2010	2.12

Factor B = Surface Water - Average Daily Production (MGD):

Untreated Water Sold to Customers in 2001 (MGD):	235.51
Water Production at SEWTP in 2001 (MGD):	68.55
Water Production at EWTP in 2001 (MGD):	215.92
Surface Water - Average Daily Production (MGD):	519.98

Factor C = Houston's Untreated Water Facilities Outstanding Debt

Facility Component	Outstanding Debt
1 Coastal Water Authority (General)	\$254,187,160
2 Trinity River Authority (General)	\$13,000,000
Total Contract Debt:	\$267,187,160
3 Coastal Water Authority (Proposed TRINITY/Lynchburg Pump Station Upgrade General)	\$55,000,000
4 TRA - Current Lake Livingston Improvements	\$15,481,000
5 Allens Creek Land Purchase:	\$16,754,709
6 Lake Houston Dam/Reservoir Improvements:	\$17,016,400
7 Wallisville Lake Project :	\$10,580,707
8 Dayton Canal	\$5,150,000
Total Outstanding Debt (Factor C):	\$387,169,976

Note: Items 1 and 2 represent "Outstanding Debt" for Existing Untreated Water Facilities as of June 30, 2001. Items 3 through 8 represent additional Outstanding Debt that Houston has incurred, or Houston estimates that it will incur, from July 1, 2001, to July 1, 2004. Within 60 days after July 1, 2004, Houston shall revise factor "C" to include the "actual" Outstanding Debt for items 3 through 8 that Houston incurred from July 1, 2001, to July 1, 2004.

EXHIBIT "G"

TREATED WATER FACILITIES APPLICABLE
TO THE CONSORTIUM AND CORRESPONDING TREATED WATER FACILITIES
CAPITAL CONTRIBUTION CALCULATIONS

Exhibit G Treated Water Facilities Applicable to Central Harris County Water Users Consortium

Page 1 of 2 Northeast Water Purification Plant

Description	cost	
Phase I Construction Cost		
Total	\$92,206,000	
84-inch	\$14,000,000	
42-inch	\$6,338,000	6.87%
Plant Construction Cost	\$71,868,000	
Phase I Non-construction Cost	\$16,581,586	
Items subject to revision		
Owner's Representative	\$4,427,841	
Diversity Consultant	\$495,000	
General Engineering Consultant	\$1,497,740	
Project Contingency/Change Orders	\$5,000,000	
Total:	\$11,420,581	
Adjusted amount at 6.87%	(\$785,021)	
Adjusted Plant Non-construction Cost	\$15,796,565	
Phase I total	\$87,664,565	
Phase II total	\$32,526,000	
Total Plant Cost	\$120,190,565	

Total Plant Cost	\$120,190,565
Capacity (Gallons / day)	80,000,000
Cost per Gallon / Day	\$1.50
Consortium Pro-Rata Capacity (Gal/day)	2,120,000
Consortium Pro-Rata Cost	\$3,185,050

Exhibit G Treated Water Facilities Applicable to Central Harris County Water Users Consortium

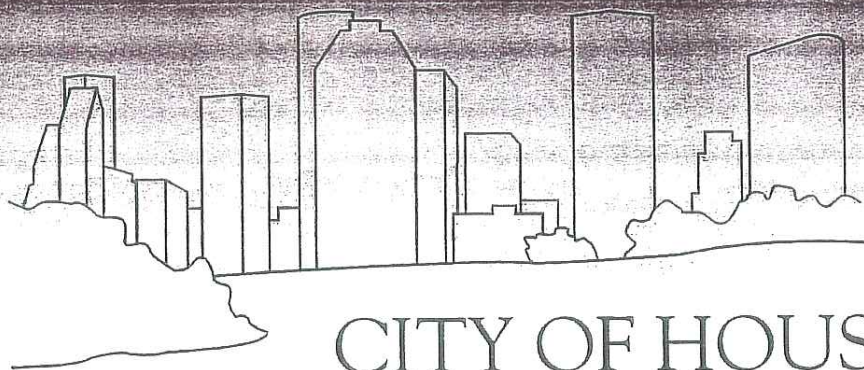
Page 2 of 2 84-inch Transmission Line

Total Cost	Component	Length (ft)	Size (in)	Demand Allocation (MGD)*	Full Flow @ 5 ft/sec (MGD)	Authority Pro-Rata Cost
\$14,000,000	Transmission Line	31,000	84	2.1	124.0	\$239,355
\$4,161,532	Transmission Easements					\$71,149
\$1,514,407	Condemnation Attorney					\$25,891
Consortium Pro-Rata Cost						\$336,395

* From Exhibit E

EXHIBIT "H"

HOUSTON'S FINALIZED INDEPENDENT RATE STUDY



CITY OF HOUSTON
Water and Sewer Rate Study

April 1999

BLACK & VEATCH

Exhibit H Page 2 of 3

Table W-9
Water Utility
Allocation of Maintenance & Operation Expenses
2000 Test Year
 Thousands of Dollars

Line NO.	Description	(1) M&O Expenses	(2) Common to Surface Water	(3) Common to All		(5) Common to Treated Water		(7) Extra Capacity Max Hour	(8) Common to Retail		(10) Extra Capacity Max Hour	(11) Direct SE Plant Participants
				Meters	Utility Billing	Base	Extra Capacity Max Hour		Base	Extra Capacity Max Hour		
1	Source of Supply - Surface Water	42,080	37,766									4,315
2	Resource Management	42,080	37,766									4,315
3	Meter Maintenance	4,523		4,523								
4	Other Customer Service	12,229			12,229							
5	Customer Service	16,752		4,523	12,229							
6	SE Plant Participants	4,315				717	265					4,315
7	Ground Water	982				10,203	3,771	6,977				
8	Pumping	20,951				7,886	2,917					
9	Treatment	10,803				18,306	6,953	6,977				4,315
10	Water Production	37,050				1,302	481	890				
11	Distribution Water Storage	2,673				6,044	2,236		3,918	1,448	2,680	
12	Water Pipe	8,280										
13	Transmission	8,046										
14	Distribution	207										
15	Water Services	122										
16	Water Meters	19,328		207								
	Utilities Maintenance			122		7,346	2,717	890	3,918	1,448	2,680	
17	Management & Support	6,912		329								
18	Planning & Operations	4,849										
19	Office of the Director	715										
20	Inventory Support	3,655										
21	Resource Management	16,365										
22	Non-capitalized Equipment	1,356										
23	General & Administrative	33,852	12,846	1,481	3,733	7,983	2,952	2,401	1,196	442	818	8,629
24	Total M&O Expenses	149,062	50,612	6,333	15,962	34,135	12,622	10,268	5,114	1,890	3,498	8,629
25	Total M&O Cost of Service	159,992	54,551	6,826	17,204	36,792	13,604	11,067	5,512	2,037	3,770	8,629

Exhibit H Page 3 of 3

Calculation of General and Administrative Cost per 1999 Black & Veatch Rate Study Water Utility

(1) General and Administrative	\$ 33,852
(2) Total M & O Cost of Service	\$ 159,992
(3) Total M & O excluding General & Administrative Cost	\$ 126,140
(4) % of General & Administrative to Total M & O excluding General & Administrative Cost	26.84%

EXHIBIT "I"

CAPACITIES OF THE PLANT FACILITIES AND TRANSMISSION FACILITIES

Exhibit I Plant and Transmission Facility Capacities

Facilities	Capacity (MGD)
Plant	80
Transmission	124 **

* NEWPP - North East Water Purification Plant, ** Full Flow at 5 ft/sec

CENTRAL HARRIS COUNTY WATER USERS CONSORTIUM
1300 Post Oak Boulevard, Suite 1400
Houston, Texas 77056

November 24, 2003

Mr. Jon C. Vanden Bosch, Director
City of Houston
Public Works and Engineering Department
611 Walker, 25th Floor
Houston, Texas 77002

Board of Directors
North Harris County Regional Water Authority
3648 F.M. 1960 West, Suite 110
Houston, Texas 77068

Re: Letter Agreement by and among the City of Houston ("City"),
North Harris County Regional Water Authority ("North
Authority") and Central Harris County Water Users Consortium
("Consortium") concerning measurement of water usage
pursuant to Water Supply Contracts with the City

Gentlemen:

The purpose of this Letter Agreement is to set forth the understanding and agreement by and among the City, the North Authority and the Consortium concerning certain issues relating to the measurement of water purchased from the City by the North Authority and the Consortium. The North Authority entered into a Water Supply Contract with the City dated December 16, 2002. Harris County Municipal Utility District No. 33 ("No. 33"), as Operating District for the Consortium, intends to enter into a Water Supply Contract with the City on behalf of the Consortium prior to November 30, 2003. The North Authority's Contract with the City sets forth specific terms and procedures for the measurement of water delivered by the City to the North Authority at the Point of Delivery defined in the North Authority's Contract with the City.

The North Authority and the Consortium are also proposing to enter into an Agreement for Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities (the "Transmission Facilities Agreement") to provide for the construction, operation and maintenance of a sixty inch (60") surface water transmission line ("Transmission Line") from the Point of Delivery defined in the North Authority's and the Consortium's Water Supply Contracts with the City through the Service Area of the Consortium and to the

boundaries of the North Authority. The proposed location of such Transmission Line is from the above-described Point of Delivery (approximately at Beltway 8 and Old Humble Road) extending in a westward direction along the Beltway 8 right-of-way, to the future T. C. Jester right-of-way, then extending along said future T. C. Jester right-of-way in a northerly direction to a location approximately 10,500 feet south of the North Authority's proposed pump station south of F.M. 1960 West.

Pursuant to the North Authority's Water Supply Contract with the City, water delivered to the North Authority will be measured at the Point of Measurement defined in said Contract, which Point of Measurement is located approximately at the Point of Delivery described above. Since the water passing through such Point of Measurement will include both the Consortium's and the North Authority's water consumption, this Letter Agreement is being entered into to set forth our mutual understanding and the methodology for calculating the North Authority's and the Consortium's respective water usage from the City, which is as follows:

1. The City will read, on the same date, the measuring equipment installed at each Point of Measurement defined in the North Authority's and the Consortium's Water Supply Contracts with the City.
2. The North Authority's Point of Measurement is as defined in its Water Supply Contract with the City, which is located approximately at the Point of Delivery, just east of the Transmission Line. The Consortium will initially have three (3) Points of Measurement located along the Transmission Line. Additional Points of Measurement may be added along the Transmission Line from time to time in the future upon mutual agreement of the City, the North Authority and the Consortium. All measuring equipment located at the Points of Measurement along the Transmission Line shall be located in dedicated easements adjacent to a public right-of-way.
3. The City will read the measuring equipment located at each Point of Measurement on the same date and shall add the water consumption measured at each of the Consortium's Points of Measurement to determine the Consortium's total water consumption for the period in question. The City will read the measuring equipment located at the North Authority's Point of Measurement and shall deduct from the water consumption measured at such Point of Measurement the Consortium's total water consumption for the period in question, the balance of which shall be deemed to be the

November 24, 2003
Page 3

North Authority's water consumption for such period. In the event of any discrepancy or dispute concerning the amount of water measured at the North Authority's Point of Measurement and the allocation of such water to the Consortium and to the North Authority, the parties agree that a representative of each entity shall meet promptly to resolve in good faith such discrepancy or dispute.

4. All other issues relating to the measurement of water delivered by the City to the North Authority and the Consortium shall be addressed in accordance with the provisions of their respective Water Supply Contracts with the City.

Further, pursuant to Section 8.17 of the North Authority's and the Consortium's Water Supply Contracts with the City, the City will establish an Advisory Committee comprised of one representative of Houston, one representative of the North Authority, and one representative of the West Harris County Regional Water Authority ("West Authority"). The function of the Advisory Committee is to inform and consult with Houston concerning various issues regarding the delivery of surface water to such parties' respective customers. Upon receipt by the City of the written consent of the North Authority and the West Authority, a representative of the Consortium shall be authorized to attend any meetings of the Advisory Committee, but shall not be considered a member of such Advisory Committee.

Should the above accurately reflect your understanding with regard to the matters discussed hereinabove, we would respectfully request that each party indicate its agreement by executing multiple originals of this Letter Agreement in the appropriate space indicated below.

Very truly yours,

CENTRAL HARRIS COUNTY WATER USERS
CONSORTIUM

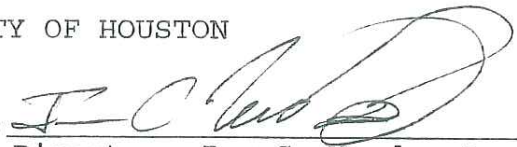

By: 
Ronald Mumphery, President
Operating Committee

November 24, 2003
Page 4

AGREED TO AND ACCEPTED this 24th day of November, 2003.

CITY OF HOUSTON

Date: 11/24/03

By: 
Director, Jon C. Vanden Bosch
Public Works & Engineering
Department 

NORTH HARRIS COUNTY REGIONAL WATER
AUTHORITY

Date: 11/3/03

By: 
Ron Graham, President
Board of Directors

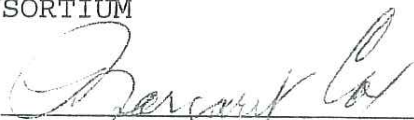
By: 
Kelly P. Fessler, Secretary
Board of Directors

By: 
Jimmie Schindewolf, P.E.
General Manager

November 24, 2003
Page 5

HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 33, in its capacity as
Operating District for the CENTRAL
HARRIS COUNTY WATER USERS
CONSORTIUM

Date: 11-20-03

By: 
Margaret Cox, President
Board of Directors

By: 
Ronald Mumphy, Secretary
Board of Directors

November 24, 2003
Page 6

cc: Mr. Paul R. Nelson
Assistant Director
City of Houston
Public Works and Engineering Department

Mr. Bill Beauchamp
Sr. Assistant City Attorney
City of Houston

Ms. Robin S. Bobbitt
Johnson Radcliffe Petrov & Bobbitt PLLC
Attorney for the North Authority

Mr. Tom Rolen
Turner, Collie & Braden, Inc.
Engineer Manager for the North Authority

Mr. Abraham I. Rubinsky
Schwartz, Page & Harding, L.L.P.
Attorney for the Consortium

Mr. Paul Wallick, P.E.
Pate Engineers, Inc.
Engineer for the Consortium

**SECOND SUPPLEMENT TO WATER SUPPLY CONTRACT BETWEEN THE
CITY OF HOUSTON, TEXAS AND THE CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY**

FOR THE NORTHEAST WATER PURIFICATION PLANT EXPANSION

THIS SECOND SUPPLEMENT TO WATER SUPPLY CONTRACT (this “Second Supplement”) is by and between the CITY OF HOUSTON (“Houston”) and the CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the “Authority”), and is for the purpose of providing for the expansion of the Northeast Water Purification Plant located at 12121 North Sam Houston Parkway East, Humble, Texas 77396 (“NEWPP”). This Second Supplement is effective on the date of countersignature hereof by the Houston Controller (“Second Supplement Effective Date”). For and in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do mutually agree as follows:

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ARTICLE I

RECITALS

- Section 1.1 Houston and the Authority entered into a Water Supply Contract effective as of December 5, 2003 (the “Original Contract”), under which Houston provides treated water to the Authority and the Authority pays costs for treatment and conveyance of the water by certain treated and untreated water facilities necessary to provide water to the Authority.
- Section 1.2 Pursuant to Ordinance 2009-0052 (January 28, 2009), Houston executed a First Supplement to Water Supply Contract with the Authority (“First Supplement”) to provide for the permitting, engineering, surveying, construction, and right-of-way and site acquisition necessary for the Luce Bayou Interbasin Transfer Project (“Luce Bayou”) to convey untreated water from the Trinity River to Lake Houston.
- Section 1.3 Houston and the Authority, along with the Other Authorities, further amended the Original Contract through a First Amendment to the First Supplement (“First Amendment”) adopted pursuant to Ordinance 2013-0045 and effective as of January 22, 2013, in order to clarify certain funding for Luce Bayou.
- Section 1.4 Houston has entered into agreements with North Harris County Regional Water Authority, North Fort Bend Water Authority, and West Harris County Regional Water Authority (“Other Authorities”) that are substantially similar to the Original Contract, First Supplement, and First Amendment.
- Section 1.5 The Authority and each of the Other Authorities seek to increase their Treated Water Facilities Demand Allocation and Houston does not currently have sufficient capacity available in the Existing Treated Water Facilities to serve such increases, and Houston seeks to increase its own treated water capacity.
- Section 1.6 Houston and the Authority now desire to clarify and agree to terms for sharing the cost of the Expansion Project in order to provide additional treated water capacity from the NEWPP of 320 million gallons per day (“MGD”) and to potentially provide certain oversizing of facilities.
- Section 1.7 Houston and the Authority believe that using design/build as the method of delivery of the Expansion Project, in accordance with Texas Government Code Chapter 2269, Subchapter H, is appropriate given the priorities of the Parties.
- Section 1.8 This Second Supplement provides for all Costs and Work associated with the Expansion Project. This Second Supplement does not include any work associated with rehabilitation or repair of the NEWPP’s existing facilities, and

this Second Supplement does not create any new obligation for the Authority to pay for rehabilitation or repair of the NEWPP's existing facilities.

- Section 1.9 Contingent upon the Project Parties timely satisfying their Cash Calls required by the Second Supplement and the Other Second Supplements, Houston and the Authority intend for Houston to cause the Expansion Project to be substantially complete as described in this Second Supplement in two phases with one delivery date not later than August 31, 2021 for 80 MGD of treated water capacity ("Phase 1") and another delivery date not later than June 30, 2024 for 240 MGD of treated water capacity ("Phase 2").
- Section 1.10 Houston shall use good faith efforts to timely complete Phase 1 and Phase 2; provided, however, Houston's undertaking to administer and oversee the Work shall not be deemed or construed as a guarantee of the cost of the Work or of the timely or successful completion of the Work.

ARTICLE II

DEFINITIONS

- Section 2.1 Unless otherwise defined in this Second Supplement, the capitalized terms used in this Second Supplement have the meaning provided in the Contract. In addition to the terms defined elsewhere in this Second Supplement, the following terms have the definitions provided below.
- Section 2.2 *Acquisition Costs* means the portion of the Costs associated with acquiring the Expansion Project Property, if any, whether by purchase or condemnation, including all reasonable costs related to title examination and title policies, due diligence, property surveying, payments to property owners, closing costs, environmental mitigation, litigation and court costs, permitting necessary for acquisition or environmental mitigation, court costs, and any other related costs arising out of the acquisition of the Expansion Project Property.
- Section 2.3 *Agreed Upon Procedures Report or AUP Report* means a report and associated findings produced by an independent accounting firm engaged by Houston under an Agreed-Upon Procedures Engagement conducted in accordance with (i) Section 8.6 of this Second Supplement, and (ii) the Statements on Standards for Attestation Engagements published by the American Institute of Certified Public Accountants.
- Section 2.4 *Annual Financial Report* is defined in Section 8.2.
- Section 2.5 *Appropriate(d) Houston Funds or Appropriation of Houston Funds* means when both of the following have occurred with respect to Houston's funds

(as opposed to funds from the Authority or Other Authorities): (i) Houston's City Controller has certified that a certain dollar amount of Cash or Cash Equivalent is available for the Expansion Project, and (ii) Houston's City Council has approved appropriating such dollar amount for the Expansion Project.

Section 2.6 *Authority Fund* means a segregated fund established and controlled by Houston for the receipt and disbursement of the funds of the Authority and the Other Authorities, and used by Houston to pay for the pro-rata share of the Costs of the Authority and the Other Authorities, as set forth herein.

Section 2.7 *Authority Meeting* is defined in Section 6.4.1.

Section 2.8 *Authorized Investments* means investment pool(s): (i) that comply with the requirements of Houston's investment policy and Texas Government Code Chapter 2256, and (ii) in which Houston's funds (in addition to funds from the Authority) are invested.

Section 2.9 *Budget* means the chart attached as Exhibit "B", which (a) reflects the estimated Costs for each Work Item and cumulative total thereof, and (b) will be revised in accordance with this Second Supplement to reflect the updated estimated Costs and the actual Costs for each Work Item and cumulative total thereof.

Section 2.10 *Cash* means 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 2.11 *Cash Call* means one of a series of demands for funds from the Project Parties sent by the Project Director to pay for Costs in accordance with the requirements set forth in Section 3.7 of this Second Supplement.

Section 2.12 *Cash Call Due Date* means the date specified in a Cash Call that either Cash or Cash Equivalent, at the option of each Project Party, is required from the Project Parties.

Section 2.13 *Cash Equivalent* means one or more line(s) of credit or letter(s) of credit obtained by a Party from one or more financial institution(s). For Houston, in addition to line of credit and letter of credit, Cash Equivalent shall also include, as certified in writing by Houston's Controller, capacity in Houston's commercial paper program that is available for payment of Houston's pro-rata share of Costs, based on Houston's applicable Cost Share, and that is not committed for other use. The Project Director and the Representatives may

collectively agree in writing to add to the items included in the term *Cash Equivalent*.

- Section 2.14 *Consensus Item* is defined in Section 6.3.
- Section 2.15 *Consensus Process* is defined in Section 6.1.
- Section 2.16 *Consensus Vote* is defined in Section 6.2.
- Section 2.17 *Construction Costs* means the costs associated with the construction of the Expansion Project, including all reasonable costs for labor, equipment, materials, electricity, fuel, and Consultant(s) (including construction management, inspection, and materials testing).
- Section 2.18 *Consultant(s)* means professional or legal service provider(s), whether a firm or an individual, engaged by Houston to assist in the planning, design, acquisition, and other Work.
- Section 2.19 *Contract* means the Original Contract, as supplemented by the First Supplement, and as amended by the First Amendment.
- Section 2.20 *Contract Price* means all or any portion of the Costs that Houston is obligated to pay: (i) to the Design/Builder, Contractor(s), or Consultant(s), including any guaranteed maximum prices, lump sum amount, maximum contract prices, and (ii) for the Acquisition Costs. No Costs shall be included in Contract Price unless the Costs have been approved in accordance with Section 6.3.
- Section 2.21 *Contract Non-Oversized Price* is defined in Section 3.14.4.
- Section 2.22 *Contract Oversized Price* means a dollar amount equal to the Costs included in a Contract Price for any and all Work Items for the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking.
- Section 2.23 *Contractor* means the Design/Builder; provided, however, in the event a delivery method other than design/build, pursuant to Texas Government Code Chapter 2269, Subchapter H, is employed by Houston, in accordance with this Second Supplement, Contractor shall instead mean the prime contractor for the Expansion Project.
- Section 2.24 *Cost Recovery Amounts* means the portion of the costs of Houston's employees' salaries, associated benefits, overhead, and itemized costs paid from the cost recovery fund (Houston's Fund 1001), that are allocated and attributable to the Expansion Project for the period beginning on December 1,

2014, and concluding as of the date of the Final Accounting, calculated in accordance with Section 3.13.

Section 2.25 *Cost Share* means each Project Party's pro-rata share of the Costs for Phase 1, Phase 2, and Multi-Phase Work, which the Parties agree are set forth in the Participation Table, and may be adjusted in accordance with Section 3.2.

Section 2.26 *Costs* means all or any portion of the costs for the Work, including the Engineering Costs, Construction Costs, Acquisition Costs, Cost Recovery Amounts, and any other costs the Parties are obligated to pay in accordance with this Second Supplement.

Section 2.27 *Day* means calendar day, unless otherwise noted.

Section 2.28 *Design/Builder* means the firm or firms selected pursuant to this Second Supplement to design and build the Expansion Project, in accordance with Texas Government Code Chapter 2269, Subchapter H.

Section 2.29 *Direct Employee* shall have the meaning assigned in Section 3.13.

Section 2.30 *Director* means Houston's Director of Public Works and Engineering.

Section 2.31 *Downsizing Costs* is defined in Section 7.2.2.

Section 2.32 *Engineering Costs* means the costs for engineering Work associated with the Expansion Project, including all reasonable costs for the planning, management, oversight, inspection, basis of design, engineering design, geotechnical investigations, surveys, estimates, pilot plant testing, materials testing, plans, specifications, investigations, and necessary permitting.

Section 2.33 *Escrow Account* means an escrow account held by the Escrow Agent for the receipt of Cash or Cash Equivalent from the Authority to satisfy Cash Call(s) and for the distribution of funds to Houston out of such account, for payment of the Authority's pro-rata share of Costs, based on the Authority's applicable Cost Share, all as set forth in this Second Supplement.

Section 2.34 *Escrow Agent* means an authorized financial institution of the Authority's choice, which may be changed from time to time, in accordance with good money management practices, to transfer funds from one financial institution to another, provided the funds are not released to the Authority until the conditions stated in the Escrow Agreement are met.

Section 2.35 *Escrow Agreement* means the escrow & pay agent agreement, in the form substantially similar to the form attached hereto as Exhibit "D," executed by the Authority, the Project Director (on behalf of Houston) and the Escrow

Agent; provided, however, the Project Director, the Authority, and the Other Authorities may collectively agree in writing to modifications of the Escrow Agreement.

Section 2.36 *Estimated Non-Oversized Price* is defined in Section 3.14.

Section 2.37 *Estimated Oversized Price* is defined in Section 3.14.

Section 2.38 *Exempt Item* is defined in Section 6.5.

Section 2.39 *Expansion Project* means the undertaking that is the subject of this Second Supplement to be overseen by Houston in two Phases to design, permit, and construct the additional Treated Water Facilities to add 320 MGD of treated water capacity to the NEWPP. Provided, however, the Oversized Facilities may be oversized as described herein. Expansion Project does not include any rehabilitation or repair of the NEWPP's existing facilities.

Section 2.40 *Expansion Project Property* is defined in Section 5.4.

Section 2.41 *Expansion Project Reservation* means the Phase 1 Expansion Project Reservation and the Phase 2 Expansion Project Reservation.

Section 2.42 *Expansion Project Team* means the Project Director and other Houston employees and agents, authorized to manage the Work performed by Contractor and Consultant(s).

Section 2.43 *Final Accounting* is defined in Section 8.7.

Section 2.44 *Final Non-Oversized Price* is defined in Section 3.14.5.

Section 2.45 *Final Oversized Price* is defined in Section 3.14.5.

Section 2.46 *Material* shall have the meaning of such word as used under federal securities laws.

Section 2.47 *MSRB* is defined in Section 10.16.

Section 2.48 *Multi-Phase Work* means Work Items that benefit both Phase 1 and Phase 2, including without limitation, the new intake structure with pumping and conveyance facilities to provide untreated water from Lake Houston, the electrical substation, the high service pump station, Consultants' services, clearing and grubbing, drainage, any separate operation facility for the Expansion Project, permitting, environmental Work, Expansion Project Property (if any), fencing, security facilities, SCADA (supervisory control and data acquisition) system, access roads and/or paving, ground storage tanks, on-

site conveyance facilities, office/control building, chemical facilities, sludge dewatering facilities, yard lighting, yard piping, maintenance or shop building, any rail spur, backwash facilities, and related appurtenances.

- Section 2.49 *Non-Payment Default* means any default described in Sections 3.9.4 or 3.9.5.
- Section 2.50 *Notice of Upcoming Cash Call* is defined in Section 3.7.1.
- Section 2.51 *Original Contract* is defined in Section 1.1.
- Section 2.52 *Other Authorities* is defined in Section 1.4.
- Section 2.53 *Other Representatives* means the individuals authorized under Other Second Supplements to act as on behalf of the Other Authorities regarding the Expansion Project.
- Section 2.54 *Other Second Supplements* means written agreements between Houston and the Other Authorities that are substantially similar to this Second Supplement.
- Section 2.55 *Overhead* is defined in Section 3.13.
- Section 2.56 *Overhead Factor* is defined in Section 3.13.2.
- Section 2.57 *Oversized Facilities* means certain Multi-Phase Work items that, pursuant to Section 3.14, may be oversized so that such facilities are capable of producing the Oversized Facilities Design Capacity and/or meeting Houston's seasonal demands for peaking. Oversized Facilities include, without limitation: the new intake structure with pumping and conveyance facilities to provide untreated water from Lake Houston, the electrical substation, and the high service pump station. The Project Director and the Representatives may collectively agree in writing to revise the definition of Oversized Facilities.
- Section 2.58 *Oversized Facilities Contribution* is defined in Section 3.15.1.
- Section 2.59 *Oversized Facilities Design Capacity* means the amount of treated water, measured in MGD, that the Project Director reasonably determines that the Oversized Facilities are able to produce based on the Contractor's or a Consultant's analysis and Houston's available water rights that may be diverted from Lake Houston. The Oversized Facilities Design Capacity shall be an MGD amount that exceeds 320 MGD.
- Section 2.60 *Oversized Facilities Option* means the Authority's unrestricted right to an Oversized Facilities Reservation of 1 MGD, which is further described in Section 3.15. The sum of the Oversized Facilities Option of the Authority

plus the Oversized Facilities Options of the Other Authorities (under Other Second Supplements) equals 43 MGD.

- Section 2.61 *Oversized Facilities Reservation* means a Reservation in the Treated Water Demand Allocation limited to the Oversized Facilities, which the Authority may obtain as provided in Section 3.15.
- Section 2.62 *Oversizing Costs* means a dollar amount equal to the Costs included in the “ $(W^B - W^A)$ ” portion of the formula in Section 3.7.3, as revised by Section 3.7.4.
- Section 2.63 *Participation Table* means the table attached as Exhibit “A”, detailing the Expansion Project Reservation and Cost Share of the Authority, the Expansion Project Reservations and Cost Shares of the Other Authorities, Houston’s capacity and Cost Share in the Expansion Project, and the Oversized Facilities Design Capacity. The Participation Table may be revised in accordance with this Second Supplement.
- Section 2.64 *Party* or *Parties* means all or any of the following entities, as applicable: Houston and the Authority.
- Section 2.65 *Phase(s)* means Phase 1, Phase 2, or both.
- Section 2.66 *Phase 1 Expansion Project Reservation* is defined in Section 3.1.
- Section 2.67 *Phase 2 Expansion Project Reservation* is defined in Section 3.1.
- Section 2.68 *Phase AUP Report* is defined in Section 8.6.1.
- Section 2.69 *Phase Financial Report* is defined in Section 8.3.
- Section 2.70 *Presentation* is defined in Section 6.3.1.
- Section 2.71 *Project Director* means an individual designated by the Director and authorized to act on behalf of Houston in the manner described in this Second Supplement, which individual may be changed by the Director from time to time.
- Section 2.72 *Project Party* or *Project Parties* means all or any of the following entities, as applicable: Houston, the Authority, and the Other Authorities.
- Section 2.73 *Proposed Solution* is defined in Section 6.4.
- Section 2.74 *Representation* is defined in Section 3.6.

- Section 2.75 *Representative* means the individual authorized in writing by the Authority to act on behalf of an Authority in the manner described in this Second Supplement, or an alternate individual approved by the Authority, which individuals may be changed by the Authority from time to time.
- Section 2.76 *Representatives* mean the Representative and the Other Representatives.
- Section 2.77 *Representatives Issue* is defined in Section 6.4.
- Section 2.78 *Rule* is defined in Section 10.16.
- Section 2.79 *Schedule* means a chart attached as Exhibit "C," accurately reflecting the estimated and actual timing of Work Items, Cash Calls, and projected Substantial Completion Dates, which Schedule will be revised in accordance with this Second Supplement.
- Section 2.80 *Selection Reviewer* means an individual designated in writing by the Authority who is responsible to perform the functions of Selection Reviewer under Section 5.2 and who has provided the Project Parties with a written certification that he or she is not an employee or paid consultant of a firm involved in the submission of a proposal to Houston to serve as the Contractor.
- Section 2.81 *Substantial Completion* means the stage in the progress of the Work when the Work, or designated portion thereof, is sufficiently complete in accordance with the contract between Houston and the Contractor so Houston can occupy and utilize the Work for its intended use, as evidenced by a certificate of Substantial Completion issued by Houston.
- Section 2.82 *Substantial Completion Date* means, for each Phase, the date of Substantial Completion shown on the certificate of Substantial Completion issued by Houston.
- Section 2.83 *True-Up* means the process described in Section 8.8.
- Section 2.84 *True-Up Statement* is defined in Section 8.8.
- Section 2.85 *TWDB* is defined in Section 3.12.
- Section 2.86 *TWDB Expansion Funding* is defined in Section 3.12.
- Section 2.87 *Unpaid Reservation* is defined in Section 7.2.1.
- Section 2.88 *Unpaid Capacity* is defined in Section 7.4.1.
- Section 2.89 *Weighted Vote* is defined in Section 6.2.

- Section 2.90 *Withdrawal Request and Certificate* means, as further described in the Escrow Agreement, a written instrument that is signed by the Project Director and addressed to the Escrow Agent, for the purpose of withdrawing funds from the Escrow Account to pay the Authority's pro-rata share of Costs, based on the Authority's applicable Cost Share, pursuant to this Second Supplement.
- Section 2.91 *Work* means any of the labor, materials, equipment, administration, and other similar efforts and items necessary for the completion of the Expansion Project.
- Section 2.92 *Work Management System* means a remotely-accessible system or systems Houston uses to share information with the Expansion Project Team and Representatives, as further described in Section 4.4.
- Section 2.93 *Work Item* means a discrete portion of the Work that is attributable to Phase(s) of the Expansion Project and included in a Contract Price.

ARTICLE III

COST SHARING & FUNDING

Section 3.1. *Cost Sharing and Reservation.* The Authority seeks to increase its Treated Water Facilities Demand Allocation from 2.12 MGD to 7.00 MGD. Accordingly, the Authority hereby makes a Reservation request for 0.46 MGD in Phase 1 of the Expansion Project (the "Phase 1 Expansion Project Reservation") and 4.42 MGD in Phase 2 of the Expansion Project (the "Phase 2 Expansion Project Reservation"). For Phase 1, the Authority's Phase 1 Expansion Project Reservation shall be deemed approved on the Substantial Completion Date of Phase 1 if the Authority is not then in Non-Payment Default. For Phase 2, the Authority's Phase 2 Expansion Project Reservation shall be deemed approved on the Substantial Completion Date of Phase 2 if the Authority is not then in Non-Payment Default.

Section 3.2. *The Participation Table & Cost Share.* The Participation Table shall show (i) the Expansion Project Reservation and Cost Share of the Authority, the Expansion Project Reservations and Cost Shares of the Other Authorities, and Houston's capacity and Cost Share in the Expansion Project, and (ii) the Oversized Facilities Design Capacity.

- 3.2.1 The Participation Table and Costs Shares shall not change, unless (i) one or more of the Project Parties fails to timely satisfy any of its Cash Call obligations and any of the remedies in Sections 7.2, 7.3, or 7.4 are initiated, or (ii) one or more of the Project Parties assigns, in writing, a portion of its Expansion Project Reservation to another of the Project Parties.

- 3.2.2 Without the need for consent from any Project Party, any Project Party may assign to another Project Party, in writing, any portion of its Expansion Project Reservation, provided the assignee agrees in writing that the assignee assumes all of assignor's outstanding and future rights and obligations related to same. The price for such assignment may be as mutually agreed upon by the seller and buyer.
- 3.2.3 In the event the Costs Shares change pursuant to Section 3.2.1 or 3.2.2, and when the Oversized Facilities Design Capacity is determined as provided in Section 3.14, the Project Director shall cause the (i) prompt preparation of an updated Participation Table and posting of same on the Work Management System, and (ii) concurrent provision of an email (or other written notice) to the Representative notifying the Representative that the updated Participation Table has been posted to the Work Management System.

Section 3.3 *The Budget.* The Budget shall itemize the Cost of each Work Item and aggregate Costs for each Phase, for Multi-Phase Work, and for the Oversized Facilities. The Project Director shall cause the: (i) prompt preparation and maintenance of an accurate Budget and posting of same on the Work Management System, and (ii) concurrent provision of an email (or other written notice) to the Representative notifying the Representative when an updated Budget has been posted to the Work Management System.

Section 3.4 *Houston's Previously Incurred Costs.* The Parties acknowledge that Houston has incurred Costs for the Expansion Project prior to the Second Supplement Effective Date. As a pre-condition to entering this Second Supplement, the Authority hereby agrees to pay for its pro-rata share of the Costs, based on its applicable Cost Share, incurred by Houston prior to December 1, 2014, which the Parties hereby agree is estimated to be \$27,888.06, subject to the provisions of Article VIII. The Authority agrees to pay Houston such \$27,888.06 within ninety (90) days of the Second Supplement Effective Date. All Costs incurred by Houston on or after December 1, 2014, shall be included in a Cash Call pursuant to Section 3.7 or 3.8. Subject to the provisions of Article VIII, the Authority is not responsible for any Costs incurred by Houston prior to December 1, 2014, other than such \$27,888.06, which amount includes the Cost Recovery Amounts incurred prior to December 1, 2014.

Section 3.5 *Rates.* Each Party represents and certifies that it will have on hand and lawfully available sufficient funds to make its payments due hereunder. Each Party recognizes its duty to, and covenants and agrees, that at all times it will establish and maintain, and from time to time adjust, the rates, fees, and charges for the services it provides to its customers to the end that the revenue therefrom, together with funds received from any other lawful source will be sufficient at all times to pay all of its obligations under this Second Supplement.

Section 3.6 *The Representative.* The Representative shall have the right to participate in the day-to-day Expansion Project activities and shall enjoy the same privileges of access as a member of the Expansion Project Team, including access to the Work Management System, Expansion Project-related activities, equipment, and workspace (“Representation”).

- 3.6.1 No individual shall be qualified to serve as the Representative if he or she (i) is performing Work on the Expansion Project in his or her individual capacity or (ii) is an employee or owner of an entity that is performing Work on the Expansion Project.
- 3.6.2 Prior to or contemporaneous with the Authority authorizing an individual to serve as the Representative, the individual shall be required to provide the Project Parties with a written certification that confirms that the individual is in compliance with Section 3.6.1 and that the individual will remain in compliance with same during the period of time that the individual remains the Representative.
- 3.6.3 The Authority shall pay for the Representative’s equipment and workspace to the extent such equipment and workspace is requested by the Representative and provided for the exclusive use of the Representative. The Project Director and the Representative may agree to purchase or lease terms for such equipment and/or work space as part of the Contract Price(s).
- 3.6.4 Notwithstanding the provisions above and consistent with this Second Supplement, the Project Director and the Representatives may further collectively agree on the manner in which they collaborate on Work, the Schedule, and the Budget.

Section 3.7 *Cash Calls in General.* The Project Director shall send Cash Calls to the Project Parties from time to time as necessary to fund the Expansion Project, and shall send each individual Cash Call to all the Project Parties on the same date; provided, however, no Cash Call shall be sent to the Project Parties after the date of the Final Accounting.

- 3.7.1 The Project Director shall provide all Project Parties with written notice (“Notice of Upcoming Cash Call”) of: (i) the estimated Costs and Work Items to be paid with proceeds of the upcoming Cash Call, (ii) the estimated dollar amount due from each Project Party pursuant to the upcoming Cash Call and the calculation thereof, and (iii) the estimated Cash Call Due Date (which shall be no earlier than 180 days after the date the Project Director sends the Notice of Upcoming Cash Call to the Project Parties), all as reasonably estimated by the Project Director. Each Notice of Upcoming Cash Call shall include a certification that the Project Director reasonably expects to spend all of the proceeds of the Cash Call within 3

years of the Authority’s Cash Call Due Date. The phrase “3 years” in the preceding sentence shall be changed to “5 years” for that Cash Call if the Project Director provides the Representatives a written certification from a licensed engineer that a period of at least 5 years is necessary to complete the Work included in the Cash Call.

3.7.2 Except as may be agreed to in writing otherwise by the Project Director, the Authority, and the Other Authorities, collectively, each Cash Call Due Date shall be (i) for the Authority, no earlier than the later of (A) 60 days after the date the Authority receives that particular Cash Call or (B) the estimated Cash Call Due Date provided in the Notice of Upcoming Cash Call, and (ii) for Houston, 30 days after the Authority’s Cash Call Due Date. In no event shall a Cash Call Due Date be any later than 18 months after the date the Project Director sends the Notice of Upcoming Cash Call to the Project Parties.

3.7.3 Unless and until Houston, as set forth in Section 3.14.3, chooses to design and construct the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston’s seasonal demands for peaking, the Project Director shall use the formulas below to calculate each Project Party’s Cash Call amount, the amount of the Authority’s funds to be drawn from the Escrow Account, the amount of the Authority’ funds to be drawn out of the Authority Fund, and the amount of Houston’s funds to be drawn out of the Appropriation of Houston Funds:

For the Authority and the Other Authorities:

$$C = (P^1 * W^1) + (P^2 * W^2) + (P^M * W^M) + Z$$

For Houston:

$$C = (P^1 * W^1) + (P^2 * W^2) + (P^M * W^M) + Z$$

Where:

- C = Dollar amount of Cash (or for Cash Calls, the dollar amount of Cash or Cash Equivalent) due from the Project Party.
- P = The Project Party’s Cost Share for the applicable Work as listed in the Participation Table, where: P¹ = Phase 1 Cost Share; P² = Phase 2 Cost Share; P^M = Multi-Phase Work Cost Share.
- W = The Costs to be paid, where: W¹ = dollar amount of Costs for Phase 1; W² = dollar amount of Costs for Phase 2; W^M = dollar amount of Costs for Multi-Phase Work.

Z = Costs that a Project Party is obligated to pay at 100% pursuant to Section 3.6.3 of this Second Supplement or of Other Second Supplements.

3.7.4 If, as set forth in Section 3.14.3, Houston chooses to design and construct the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking, then the formulas in Section 3.7.3 above shall be revised as follows: (i) " W^M " shall be revised to mean the dollar amount of Costs for Multi-Phase Work excluding all Costs of the Oversized Facilities, (ii) the Authority's formula above shall be modified to add after "Z", " $+ (P^M * W^A)$ ", (iii) Houston's formula above shall be modified to add after "Z", " $+ (P^M * W^A)$ " and " $+ (W^B - W^A)$," and (iv) W^A shall be the dollar amount of Costs for the approved Contract Non-Oversized Price and W^B shall be the dollar amount of Costs for the approved Contract Oversized Price. (In item "(iv)" of the preceding sentence, the term "approved" means approved in accordance with Section 6.3.). If the formulas are revised as described in the first sentence of this paragraph, then such revisions shall occur as of the effective date of the notice to proceed issued by Houston for the final design of the Oversized Facilities, which Houston shall issue in order to commence final design. Any reference to Section 3.7.3 in this Second Supplement shall be interpreted to include, if applicable, the revisions provided in this Section 3.7.4.

3.7.5 Each Cash Call shall include a written statement providing: (i) the actual dollar amount due from each Project Party pursuant to the Cash Call, but this actual dollar amount (A) shall not exceed the estimated dollar amount for that Project Party provided in the Notice of Upcoming Cash Call and (B) shall only be for Costs that have been approved in accordance with Section 6.3, for Exempt Item(s), or for Cost Recovery Amounts; (ii) the calculation of the amount of each Project Party's portion of the Cash Call; (iii) the Cash Call Due Date; (iv) the Costs and Work Items to be paid with the proceeds of the Cash Call; and (v) each Project Party's amount of surplus from previous Cash Calls, if any, as reasonably determined by the Project Director. At the time of sending a Cash Call to any Project Party, the Project Director shall provide a copy of that Cash Call to the other Project Parties via the Work Management System.

3.8 *Cash Call No. 1.* By the Parties' execution of this Second Supplement, Houston will be deemed to have issued to the Project Parties Cash Call No. 1 in the amount of \$6,975,173, as described in the attached Exhibit "E." Notwithstanding the provisions of Section 3.7 and Section 6.3: (i) the Authority's Cash Call Due Date for Cash Call No. 1 shall be 120 days after the Second Supplement Effective Date, and (ii) the Costs of such \$6,975,173 are deemed to be included in a Contract Price and are deemed to have obtained a Consensus Vote. Houston represents that it has already performed an Appropriation of Houston

Funds in an amount equal to or greater than Houston's pro-rata share of Costs, based on Houston's applicable Cost Share for such Cash Call.

3.9 *Paying Cash Calls.* Houston shall pay Cash Calls in accordance with this Second Supplement, and the Authority shall pay Cash Calls in accordance with this Second Supplement and the Escrow Agreement.

3.9.1 In paying a Cash Call, and in accordance with the Escrow Agreement, the Authority shall, by its Cash Call Due Date, provide the Escrow Agent with Cash or Cash Equivalent, at the option of the Authority, in the amount of the funds required from the Authority by such Cash Call, which at the Authority's option may include the application of any or all of the surplus identified in the Cash Call. In paying a Cash Call, Houston shall appropriate Houston Funds by its Cash Call Due Date in the amount of the funds required from Houston by such Cash Call, which at Houston's option may include the application of any or all of the surplus identified in the Cash Call.

3.9.2 If the Authority satisfies a Cash Call with Cash, then the Authority shall be in default if any loss in investments made with such Cash in the Escrow Account causes insufficient Cash or Cash Equivalent to be available such that Houston is unable to timely draw the undrawn portion of the Cash Call that was satisfied with Cash. Provided, however, if the Authority promptly provides additional Cash or Cash Equivalent to replace such loss so that Houston is able to timely draw the undrawn portion of the Cash Call that was satisfied with Cash, then the Authority is deemed to not have been in default. If Houston presents a Withdrawal Request and Certificate to the Escrow Agent and Houston is unable to draw funds from the Escrow Account because of default described above in this Section 3.9.2, then the Authority shall pay Houston interest on the amount that Houston was unable to draw. Such interest shall be calculated at the interest rate described in Section 7.5 and shall accrue from the date Houston presents the Withdrawal Request and Certificate to the Escrow Agent until the date the Authority makes the funds available to Houston.

3.9.3 If an Appropriation of Houston Funds is comprised of Cash and if any loss in investments made with such Cash causes a reduction in such Cash so that Houston is unable to timely draw the undrawn portion of the Cash Call that was satisfied with Cash, then Houston shall promptly seek to appropriate Houston Funds to replace such loss. If Houston fails to appropriate Houston Funds to replace such loss, then Houston shall be in default, and Houston shall replace such loss prior to spending Cash from the Authority Fund.

3.9.4 If the Authority fails to provide Cash or Cash Equivalent or Houston fails to appropriate Houston Funds by any Cash Call Due Date, as required by Section

3.9.1, then that Party shall be in default. In satisfying some or all of any Cash Call, if the Authority provides the Escrow Agent with Cash Equivalent or if Houston's Appropriation of Houston Funds is derived from Cash Equivalent, then the Authority or Houston, as applicable, shall be in default if it fails to both: (i) maintain the Cash Equivalent in place such that Houston is unable to timely draw the undrawn portion of the Cash Call that was satisfied with Cash Equivalent, and (ii) re-establish the Cash Equivalent (within 10 business days of receiving written notice) such that Houston is able to timely draw the undrawn portion of the Cash Call that was satisfied with the Cash Equivalent. (The phrase "written notice" in the preceding sentence means a written notice (a) stating that the Cash Equivalent was not maintained, and (b) that is issued by the Project Director (if the notice is to the Authority) or issued by the Project Director or the Authority (if the notice is to Houston).) If Houston fails to spend funds out of the Appropriation of Houston Funds as required by Section 3.11.1, then Houston shall be in default. As described in Section 2.49, default under this Section 3.9.4 shall be considered Non-Payment Default.

3.9.5 Cash Equivalent that is in the form of a line of credit may only be obtained from a financial institution which at the time of obtaining the Cash Equivalent has long term credit ratings in one of the three highest generic rating categories from at least two nationally recognized rating services. If at any time after the date a Party obtains a line of credit, the financial institution fails to meet the credit ratings requirement of the preceding sentence, then the Party shall (within 60 days after the date the financial institution failed to meet the credit ratings requirement) either replace the line of credit with: (i) Cash Equivalent that satisfies the credit ratings requirement, or (ii) Cash. After the expiration of such 60 days, a Party shall be in default if it fails (within 10 business days after receiving written notice from the Project Director or Authority (if the Party is Houston) or from the Project Director (if the Party is the Authority)) to replace the line of credit as described in the preceding sentence. As described in Section 2.49, default under this Section 3.9.5 shall be considered Non-Payment Default.

3.9.6 Cash or Cash Equivalent provided for any particular Cash Call shall only be used to pay for the Cash Call for which it was provided, unless it is determined to be surplus as provided in Section 3.7.5.

3.10 *The Escrow Account; Withdrawal of Funds.* Requests for disbursements from the Escrow Account shall be made in accordance with this Second Supplement and the Escrow Agreement. At such times as the Project Director reasonably determines that payments will be due to pay for the Work pursuant to this Second Supplement and Other Second Supplements, the Project Director shall provide to the Authority a written notice of its intent to draw from the Escrow Account along with a calculation of how each Project Party's draw amount has been calculated under Section 3.7.3.

3.10.1 No earlier than 5 days after providing such notice to the Authority, Houston, through the Project Director, shall deliver to the Escrow Agent a Withdrawal Request and Certificate that complies with the requirements of the Escrow Agreement (with a copy contemporaneously sent to Houston's Controller and the Representatives) in order to draw Cash from the Escrow Account.

3.10.2 Through the Work Management System, the Project Director shall notify the Project Parties of the following: (A) with respect to the Project Parties (other than Houston) the amount of Cash that Houston (via the Project Director) withdraws out of a Project Party's Escrow Account and the date of such withdrawals; and (B) with respect to Houston: (i) each date when Houston has Appropriated Houston Funds and the dollar amount of same, (ii) the dollar amount of all funds that Houston (via the Project Director) withdraws out of the Appropriation of Houston Funds and the date of such withdrawals.

3.10.3 The Authority shall maintain an Escrow Account meeting the requirements of this Section 3.10 until (i) the Authority receives a True-Up Statement calculated pursuant to Section 8.8 which indicates that the Authority no longer owes Houston any amounts related to the Expansion Project, or (ii) the Authority pays Houston the amount, if any, due from the Authority under such True-Up Statement.

3.11 *The Authority Fund.* All Authority funds withdrawn from the Escrow Account shall be immediately deposited into the Authority Fund and held in the Authority Fund until payment is made for the Costs. All Authority funds held in the Authority Fund shall be held by Houston in trust for the benefit of the Authority.

3.11.1 Houston, through the Project Director, shall spend funds in the Authority Fund only for (i) Costs that have been approved in accordance with Section 6.3 (or for Exempt Item(s)) for which Houston's Controller certified the availability of funds, and (ii) Cost Recovery Amounts. For each and every payment made by Houston out of the Authority Fund, Houston shall: (i) with respect to the Authority's funds held in the Authority Fund, withdraw an amount equal to the Authority's pro-rata share of the Costs to be paid for same, which shall be determined in accordance with the formula applicable to the Authority stated in Section 3.7.3; and (ii) contemporaneous with Houston's withdrawal of Authority funds for the payment, Houston shall spend funds out of the Appropriation of Houston Funds in an amount equal to Houston's pro-rata share of the Costs to be paid for same, which shall be determined in accordance with the formula applicable to Houston stated in Section 3.7.3.

3.11.2 For the pro-rata benefit of the Authority and Other Authorities, Houston's Controller shall invest the funds on hand in the Authority Fund in the Authorized Investments. All earnings and interest that are attributable to the Authority's funds on deposit in the Authority Fund shall inure to the benefit of the Authority.

3.11.3 The Project Director shall calculate the accrued interest and earnings in the Authority Fund and distribute the remaining proceeds from such interest and earnings as part of the True-Up. Provided, however, if requested in writing by the Representative, the Project Director shall reduce the size of subsequent draw(s) from the Escrow Account by the amount of such interest and earnings.

3.12 *TWDB Funding.* The Project Parties shall endeavor to work in good faith to file applications with the Texas Water Development Board ("TWDB") for financing assistance for the Expansion Project on terms acceptable to each Project Party ("TWDB Expansion Funding").

3.12.1 The Director and the Authority's Board President shall be authorized to sign an amendment to this Second Supplement for the specific and limited purpose of accommodating TWDB Expansion Funding, without further approval from the governing bodies.

3.12.2 Nothing in this Second Supplement shall be construed to limit the Authority's right or Houston's right to independently seek TWDB funding for projects other than the Expansion Project.

3.12.3 No Project Party shall request funding for any portion of the Expansion Project from any TWDB funding program that would impose more stringent requirements on the Expansion Project than the requirements applicable to the State Water Implementation Fund, without first obtaining a Consensus Vote in favor of such requested funding. In connection with, and prior to, such Consensus Vote, the requesting Project Party shall provide each of the Project Parties with the draft funding application to be submitted to the TWDB.

3.13 *Cost Recovery Amounts.* Cost Recovery Amounts shall include a portion of the salary and associated benefits for each of Houston's employees who track their hours worked on Houston's construction projects (each a "Direct Employee"), plus a portion of the costs in Houston's Fund 1001 that are not associated with salaries and benefits for Direct Employees ("Overhead"), both of which shall be calculated in the manner described below.

3.13.1 Cost Recovery Amounts for Direct Employees shall be determined by multiplying (i) the cost to Houston of the salary and benefits of each Direct Employee, expressed as an hourly rate, by (ii) the hours each Direct Employee recorded as spent working on the Expansion Project.

3.13.2 The Cost Recovery Amounts for Overhead shall be calculated by multiplying (i) the percentage that Cost Recovery Amounts for Direct Employees (calculated pursuant to 3.13.1) bears to Houston's total cost of salaries and benefits for all Direct Employees (the "Overhead Factor"), by (ii) the costs in Houston's Fund 1001 that are not associated with the salary and benefits for Direct Employees.

3.14 *Oversized Facilities Determination & Administration.* Prior to commencement of final design of the Oversized Facilities, the Project Director shall (a) reasonably determine the amount (in MGD) of the Oversized Facilities Design Capacity; and (b) obtain from the Contractor: (i) an estimate of the dollar amount of the cost to design and construct the Oversized Facilities to produce 320 MGD of treated water ("Estimated Non-Oversized Price"), and (ii) an estimate of the dollar amount of the cost to design and construct the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking ("Estimated Oversized Price").

3.14.1 Within 5 days of the Project Director receiving the Estimated Non-Oversized Price and the Estimated Oversized Price, the Project Director shall (i) post the Estimated Non-Oversized Price and the Estimated Oversized Price, and all related documents, including the technical specifications and estimated price for all Work Items on the Work Management System, and (ii) concurrently provide an email (or other written notice) to the Representative of such posting.

3.14.2 The Project Director shall present the Estimated Non-Oversized Price and the Estimated Oversized Price as Consensus Items in accordance with Section 6.3. The Project Director shall include in such presentation the technical specifications and estimated price of all Work Items that are included in the Oversized Facilities in both the Estimated Non-Oversized Price and the Estimated Oversized Price.

3.14.3 Houston may choose to construct the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking only if (a) the Estimated Non-Oversized Price and Estimated Oversized Price are approved by Consensus Vote; and (b) the Project Director revises the Cash Call Formula as provided in Section 3.7.4.

3.14.4 If Houston chooses to design and construct the Oversized Facilities to provide the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking, then the Project Director shall also be required, as part of the applicable presentation for the Costs to be included in a Contract Price for such Work Items, to adjust the Estimated Non-Oversized Price for each Work Item ("Contract Non-Oversized Price") by

multiplying (a) the Estimated Non-Oversized Price of the Work Item by (b) the quotient of the Contract Oversized Price (numerator) and the Estimated Oversized Price (denominator) of the same Work Item.

3.14.5 If Houston has constructed the Oversized Facilities to provide the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking, then the Project Director will update the Budget to reflect all actual and final Costs for each Work Item included in a Contract Oversized Price ("Final Oversized Price"), Subject to True-Up, the Project Director shall also update the Budget to show an adjustment to the Contract Non-Oversized Price ("Final Non-Oversized Price"), which is the result of multiplying (a) the Contract Non-Oversized Price of the Work Item by (b) the quotient of the Final Oversized Price (numerator) and the Contract Oversized Price (denominator) of the same Work Item. If the Contract Non-Oversized Price exceeds the Final Non-Oversized Price, then as documented in an Annual Financial Report, the excess shall be deemed surplus for purposes of Section 3.7.5. The Final Oversized Price and the Final Non-Oversized Price are subject to True-Up under Article VIII.

3.15 *Oversized Facilities Options & Reservations.* This Section 3.15 shall be applicable only if Houston chooses to design and construct the Oversized Facilities to produce the Oversized Facilities Design Capacity. After the last Phase AUP Report is prepared pursuant to Article VIII, and at any time prior to December 31, 2045, the Authority shall have the unrestricted right to an Oversized Facilities Reservation up to the Authority's Oversized Facilities Option. Houston shall be obligated to approve such Oversized Facilities Reservation within 60 days of receipt of (a) the Authority's request for the Oversized Facilities Reservation; and (b) the cost due from the Authority for the Oversized Facilities Contribution, in accordance with the formula below (instead of the cost-sharing formula for Treated Water Facilities Capital Contribution set forth in Section 3.03 of the Contract).

3.15.1 Within 60 days after receiving a request from the Authority for a calculation of the cost that may be due under the formula below ("Oversized Facilities Contribution"), Houston shall provide such calculation to the Authority.

$$\left[\frac{\text{(Oversizing Costs as reflected in the Final Accounting + Houston's related borrowing costs)}}{\text{Oversized Facilities Design Capacity in MGD}} \right] * \text{the Authority's Oversized Facilities Reservation in MGD.}$$
 In the formula above, the phrase "Houston's related borrowing costs" shall mean the portion of Houston's actual interest and issuance costs then-incurred by Houston on its bonds and other financial instruments to the extent they are attributable to the Oversizing Costs, after taking into account any actual savings from any refundings or defeasances of such bonds or other financial instruments.

For each issue of Houston's bonds and other financial instruments described above, Houston shall include in the Final Accounting: (i) the name and principal amount issued, (ii) a summary of costs of the projects financed, including issuance costs, (iii) the calculation of "Houston's related borrowing costs" (as of the Final Accounting) as described in the preceding paragraph, and (iv) a debt service schedule showing all interest and principal payments due from Houston. At the time of calculation of any payment pursuant to the formula in the preceding paragraph, the items listed in the preceding sentence will be updated to take into account any actual savings from any refundings or defeasances of such bonds or other financial instruments.

3.15.2 If the Authority has not requested an Oversized Facilities Reservation in amounts up to its Oversized Facilities Option, then starting on December 31, 2045 and continuing through the term of this Second Supplement, Houston shall not sell, use, or transfer capacity in the amount remaining in the Authority's Oversized Facilities Option such that the Authority would be unable to obtain its remaining Oversized Facility Option unless Houston first provides the Authority with written notice of same and a 90 day opportunity to make an Oversized Facilities Reservation for an amount up to the Authority's remaining Oversized Facilities Option. Houston shall be obligated to approve such Oversized Facilities Reservation within 60 days of receipt of (a) the Authority's request for the Oversized Facilities Reservation; and (b) the cost due from the Authority's Oversized Facilities Contribution.

3.15.3 After the last Phase AUP Report is prepared pursuant to Article VIII, and at any time prior to December 31, 2045, the Authority shall have the unrestricted right to increase its Untreated Water Facilities Demand Allocation by an amount up to its Oversized Facilities Option, by submitting a request for a Reservation to Houston for such increase. Houston shall be obligated to approve such Reservation within 60 days of receipt of the Authority's request. Thereafter, the Authority shall hereby be obligated to make all payments for such increase in Untreated Water Facilities Demand Allocation in accordance with the due dates and calculations set forth in the provisions of the Contract. Within 60 days after receiving a request from the Authority for a calculation of the payments due for an increase in Untreated Water Facilities Demand Allocation, Houston shall provide such calculation to the Authority. The Authority may only obtain an Untreated Water Facilities Demand Allocation under this paragraph in an amount of MGD that does not exceed the Oversized Facilities Reservation that it previously or concurrently obtained; provided, however, this sentence shall

not be construed to limit the Authority's right to increase its Untreated Water Facilities Demand Allocation under the terms of the Contract.

3.15.4 If, prior to December 31, 2045, the Authority has not increased its Untreated Water Facilities Demand Allocation by the entire Oversized Facilities Option, then starting on December 31, 2045 and continuing through the term of this Second Supplement, Houston shall not sell, use, or transfer untreated water such that the Authority would be unable to obtain its remaining Oversized Facilities Option unless Houston first provides the Authority with written notice of same and a 90 day opportunity to make a request for a Reservation for such increase. Houston shall be obligated to approve such Reservation within 60 days of receipt of the Authority's request. Thereafter, the Authority shall hereby be obligated to make all payments for such increase in Untreated Water Facilities Demand Allocation in accordance with the due dates and calculations set forth in the provisions of the Contract.

3.15.5 After completion of the Expansion Project, the Authority may utilize any portion of its Oversized Facilities Reservation (for which it has paid its Oversized Facilities Contribution) at such time as the Authority increases (by an equal amount of MGD) its Untreated Water Facilities Demand Allocation and Treated Water Facilities Demand Allocation in the NEWPP (but no additional payment will be required for Oversized Facilities).

3.15.6 Any Project Party may in whole or in part assign, in the same manner as provided in Section 3.2.2 for Expansion Project Reservations, the Oversized Facilities Reservation and any Reservation that increases its Untreated Water Facilities Demand Allocation under this Section 3.15.

ARTICLE IV

WORK & SCHEDULE

Section 4.1 *Control of the Work.* Houston, through the Project Director, shall manage the Work, including design, acquisition of the Expansion Project Property, and construction of the Expansion Project, in accordance with the Budget, Schedule, applicable laws and regulations, and this Second Supplement. Subject to the terms of this Second Supplement, Houston shall control and supervise the detailed manner or method of execution of all Work items and be responsible for the management and compensation of all personnel performing the Work. Houston's control of the Work and the Representative's involvement in the Work described under this Second Supplement shall not change the nature of the relationship established in contracts between Houston and the Contractor or Consultants.

Section 4.2 *The Schedule.* The Project Director shall cause the prompt: (i) preparation and maintenance of an accurate Schedule and posting of same on the Work Management System, and (ii) concurrent provision of an email (or other written notice) to the Representative notifying the Representative when an updated Schedule has been posted to the Work Management System.

Section 4.3 *Bonds, Indemnity, and Insurance.* In order to meet applicable legal requirements and protect the Parties from reasonably foreseeable risks associated with the Work, Houston shall require: (i) any Contractor to provide adequate insurance coverage and payment and performance bonds, and (ii) any Consultant providing engineering services (and any other Consultant as reasonably determined by Houston) to provide adequate insurance coverage. Houston shall require any written contract with a Contractor and each Consultant engaged by Houston after the Second Supplement Effective Date to name the Authority: (a) as an additional insured (including waivers of subrogation by insurance carriers) to the extent permitted by law and to the extent that such Contractor or Consultant provides same in favor of Houston, and (b) as a party included under indemnity, hold harmless, release, and defense provisions to the extent permitted by law and to the extent that such Contractor or Consultant provides same in favor of Houston. With respect to Consultants providing Engineering Services contracted with Houston prior to the Second Supplement Effective Date, Houston shall accomplish the provisions of the previous sentence no later than 30 days after the Second Supplement Effective Date. The Project Director shall post copies of all such contracts and applicable insurance policies on the Work Management System. The Project Director and the Representatives collectively may agree to revisions to this paragraph.

4.3.1 The Project Director shall reasonably determine whether to make a claim under any first party insurance policy (such as a property insurance policy) or bond in connection with the Expansion Project. If the Project Director makes such a claim, the Project Director shall promptly distribute proceeds from the claim or bond in proportion to the Authority's applicable Cost Share related to the subject of the claim as follows: (i) to the Authority Fund for the benefit of the Authority, or (ii) to the Authority if the Project Director reasonably determines that such proceeds are surplus. In the event a Party makes a claim on an insurance policy or Houston makes a claim on a bond, such Party shall provide written notice to all Project Parties.

Section 4.4 *Work Management System.* To the fullest extent practicable, Houston shall cause all information and documents related to the Expansion Project to be accessible to the Expansion Project Team and the Representative through the Work Management System.

4.4.1 In order to protect information and documents in the Work Management System, the Project Director may require the Representative to agree to reasonable access conditions and non-disclosure terms.

- 4.4.2 The Project Director and Representative may agree on additional or different accessibility and contents of the Work Management System in order to facilitate collaboration and timely completion of the Work.
- 4.4.3 The Authority does not by way of this Second Supplement acquire any title, ownership interest, copyright or any other ownership right, to any information, document, or intellectual property, of any kind, stored or visible on the Work Management System. To the extent that any information, document, or intellectual property is not produced for the exclusive use of the Authority, the Authority shall not claim ownership of any intellectual property, or other ownership interest in the Work Management System, or related services, information, documents, charts, diagrams, specifications, and other tangible or intangible material of any nature whatsoever contained on the Work Management System. All patents, copyrights, and other proprietary rights related to the Work Management System and its components, shall be the sole and exclusive property of Houston, Contractor or Consultant(s). However, the Authority shall be entitled to use the Work Management System and all of its contents in order to achieve the purposes provided for in this Second Supplement.

ARTICLE V

PROJECT DELIVERY

Section 5.1 *Procurement Generally.* In accordance with this Second Supplement, Houston shall develop all documents and forms, such as solicitations and contracts, for procurement of all Work, Expansion Project Property, equipment, and materials necessary or desirable for completion of the Expansion Project. The Project Director shall place such documents and forms on the Work Management System prior to any public use of these documents.

Section 5.2 *Selection of Contractor.* In accordance with applicable law, Houston shall prepare and publish the request for qualifications of the Contractor. After Houston receives statements of qualifications from firms interested in submitting proposals for the Expansion Project, Houston shall provide said statements to the Selection Reviewer if the Selection Reviewer has agreed in writing to reasonable non-disclosure terms provided by the Project Director. No firm shall be qualified for final selection under Section 2269.359(c), Texas Government Code, unless Houston and at least two of the Selection Reviewers of the following four governmental entities agree in writing that such firm is qualified: Central Harris County Regional Water Authority, North Fort Bend Water Authority, North Harris County Regional Water Authority, and West Harris County Regional Water Authority.

- 5.2.1 Thereafter, Houston shall provide a draft of the request for proposals, including a draft of the contract to be entered into between Houston and the

Contractor, to the public, including qualified firms and the Selection Reviewer, for comments. After considering the comments provided and publishing to the public the comments and how they were addressed, Houston shall, in accordance with applicable law, publish the final request for proposals. The Project Director and the Selection Reviewer of all Project Parties (other than Houston) may collectively agree in writing to modifications of this paragraph.

5.2.2 In accordance with applicable law, including Texas Government Code Chapter 2269, Subchapter H, Houston shall (i) decide the firm with which it will negotiate a contract and provide notice to the Selection Reviewer of its decision; and (ii) after successful negotiations between Houston and a firm and after receipt of a Consensus Vote in favor of the final contract to be entered into between Houston and the firm, enter into a contract with the firm. In connection with, and prior to, such Consensus Vote, Houston shall provide the Selection Reviewer with the technical proposal and cost proposal that such firm provided to Houston, subject to the Selection Reviewer agreeing to reasonable non-disclosure terms provided by the Project Director.

5.2.3 If the Representative does not meet the eligibility qualifications required of the Selection Reviewer, as provided in Section 2.80, then the Selection Reviewer shall (i) assume all of the Representative's responsibilities related to the Consensus Vote described in Sections 5.2.2(ii) and 6.3(5), and (ii) provide written notice of such assumption to the Project Parties prior to such assumption occurring.

5.2.4 Pursuant to Section 2269.053, Texas Government Code, and only to the extent of the terms and conditions of this Section 5.2 and Section 6.3, Houston hereby delegates certain of its authority under Texas Government Code Chapter 2269 to the Selection Reviewers of the following four governmental entities: Central Harris County Regional Water Authority, North Fort Bend Water Authority, North Harris County Regional Water Authority, and West Harris County Regional Water Authority. Houston shall provide notice of this delegation as required by Section 2269.053(b), Texas Government Code.

Section 5.3 *Design.* After entering into a contract with the Contractor, the Project Director shall cause the Contractor to promptly proceed with the design of the Expansion Project.

Section 5.4 *Expansion Project Property.* This Section shall not be effective unless the Project Director (i) reasonably determines that rights of way and other interests in real property adjacent to or in the immediate vicinity of the existing NEWPP site are necessary for the Expansion Project ("Expansion Project Property"), and (ii) provides written notice to the Representative of the Expansion Project Property to be acquired. In accordance with the

Schedule and Consensus Process, Houston shall acquire the Expansion Project Property for a Contract Price. The Project Director shall reasonably determine the method and form that Houston uses to acquire the Expansion Project Property and may hire Consultants to acquire or assist in acquisition of the Expansion Project Property on Houston's behalf. Payments made by the Authority pursuant to this Second Supplement do not give the Authority an ownership interest in the Expansion Project Property.

Section 5.5 *Engineering and Construction Contract Price.* In accordance with the Schedule, Consensus Process, and other terms of this Second Supplement, the Project Director shall negotiate, on behalf of the Project Parties, Contract Prices for the Work associated with the Engineering Costs and Construction Costs.

Section 5.6 *Construction.* After obtaining the necessary design for the applicable portion of the Expansion Project, necessary permits and approvals, and a Contract Price for all or part of the Work, Houston shall cause the performance of the Work related to such Contract Price in accordance with the terms of this Second Supplement.

Section 5.7 *Contractor Schedule.* Houston shall include in the final request for proposals and in any contract with the Contractor a requirement that the Contractor achieve substantial completion of Phase 1 no later than August 31, 2021 and Phase 2 no later than June 30, 2024, subject to Houston's customary terms and provisions within such contracts regarding extension of time. The Project Director and the Representatives may collectively agree in writing to modifications of this paragraph.

Section 5.8 *Dispute Arising from the Work.* In the event that Houston is in a dispute with the Contractor or Consultants regarding the Work that results in settlement, litigation or other formal or informal dispute resolution, then the reasonable costs of same (including, without limitation, legal fees, court costs, expert witness fees, filing fees, and judgment payments or settlement payments paid to the Contractor or Consultants) shall be treated as a Cost such that each Project Party will be responsible for its applicable Cost Share related to the subject of the payment.

5.8.1 Any settlement agreement related to such a dispute shall be treated as a Consensus Item subject to the Consensus Process, and the settlement agreement shall also be subject to approval by Houston's City Council if required by law. Any judgment payments or settlement payments received by Houston shall inure to the benefit of the Project Parties in proportion to each Project Party's applicable Cost Share related to the subject of the payment.

5.8.2 Notwithstanding any provision of this Second Supplement and to the fullest extent permitted by law, including Houston's Charter and Code of Ordinances (to the extent the Ordinances are not inconsistent with this Second Supplement), any Project Parties that collectively comprise more than 63% of the Multi-Phase Cost Shares, as provided in the Participation Table, shall have the right by written

instrument delivered to Houston, to direct the method and manner of conducting all proceedings related to such litigation or other dispute resolution or for any remedy available to Houston under the contracts with the Contractor or Consultants; provided, however, that such direction shall not be contrary to law or the provisions of this Second Supplement.

Section 5.9 *Miscellaneous Services*. As part of a Contract Price, Houston may engage various Consultants to provide miscellaneous Work.

ARTICLE VI

CONSENSUS PROCESS

Section 6.1 *Consensus Process*. Notwithstanding any other provision of this Second Supplement, the Project Parties shall use and be bound to the process provided in Sections 6.2 through 6.6 below for Work-related items and issues that may arise during the Expansion Project under Article III through VI of this Second Supplement (“Consensus Process”). The Project Parties shall endeavor to work in good faith to attempt to resolve issues without resorting to the process described in Section 6.4.

Section 6.2 *Weighted Vote; Consensus Vote*. The Project Director, Representative, and the Other Representatives shall each have a vote on a Consensus Item or a Representatives’ Issue, as such terms are defined below, weighted equal to the respective Project Party’s Multi-Phase Cost Share provided in the Participation Table (“Weighted Vote”). Any total Weighted Vote of the Project Parties that exceeds 63% in favor of a particular option voted upon (“Consensus Vote”) shall be binding on all Project Parties to the fullest extent permitted by law.

Section 6.3 *Consensus Items*. At any time during the Expansion Project, a Consensus Vote shall be required to approve the following items (each, a “Consensus Item”): (1) the Costs that Houston proposes to include in the Contract Price(s), plus any related contingency costs; (2) the Estimated Non-Oversized Price, Contract Non-Oversized Price, Estimated Oversized Price and Contract Oversized Price; (3) any change(s) to the contract with a Contractor that change either date reflected in Section 5.7 by more than 60 cumulative days; (4) any emergency purchase order under Section 6.6; and (5) the final contract to be entered into between Houston and the firm described in Section 5.2.2(ii).

6.3.1 The Project Director shall present Consensus Items to the Representative and the Other Representatives via the Work Management System (the “Presentation”); provided, however, the Presentation for an emergency purchase order under Section 6.6 shall also be provided directly to the Representative. The Presentation shall provide the Representative with: (i) a technical overview, cost breakdown, action required by the Project Parties,

and the alternatives considered for the Consensus Item, as applicable, and (ii) for Consensus Items involving Contract Price(s), an updated Budget.

- 6.3.2 The Representative shall provide to the Project Director in writing the official vote on behalf of the Authority within seven (7) business days of the date the Presentation is posted to the Work Management System (or, for any emergency purchase order under Section 6.6, within two (2) business days of the date the Presentation is posted to the Work Management System), otherwise the Authority shall be deemed to have voted in favor of the Consensus Item. (For purposes of the preceding sentence, “the date the Presentation is posted to the Work Management System” shall be the later of: (i) the date the Presentation is placed on the Work Management System, or (ii) the date an email (or other written notice) is received by the Representative from the Project Director notifying the Representative that the Presentation has been placed on the Work Management System.) The Representative shall include with any vote against a Consensus Item a brief summary of the reasons the Authority does not support the Consensus Item. If the vote fails to result in a Consensus Vote in favor of the Consensus Item, then the Consensus Item is not approved. Provided, however, if the failed vote relates to Costs that Houston proposed to include in a Contract Price (or relates to Estimated Non-Oversized Price, Contract Non-Oversized Price, Estimated Oversized Price, or Contract Oversized Price), then the Project Director shall continue thereafter, with all due haste, to provide the Project Parties with modified proposal(s) regarding such items in order to attempt to obtain a Consensus Vote. Absent a written statement to the contrary by the Project Director provided to the Representatives prior to the vote, the Project Director is deemed to cast Houston's vote in favor of the Consensus Item.

Section 6.4 *Representatives' Issues.* At any time during the Expansion Project, two or more Representatives may submit a written request to the Project Director with a copy to the Project Parties to require additional discussion of an issue concerning Representation, or design, construction, progress, or manner of execution of the Expansion Project (“Representatives’ Issue(s)”) if: (1) The requesting Representatives have previously notified the Project Director of the issue and a proposed solution or alternative course of action (collectively, “Proposed Solution(s)”); and (2) The written request includes a summary of the Representatives' Issue and the Proposed Solution, and is sent not later than five (5) business days after a decision by the Project Director on the subject matter of the Representatives' Issue is posted to the Work Management System. (Item (2) of the preceding sentence shall not be construed to preclude a Representative Issue from being sent prior to the decision being posted to the Work Management System.)

- 6.4.1 Within five (5) business days of receiving written notice of the Representatives' Issue, the Project Director shall convene a meeting (“Authority Meeting”) with the Representative and the Other Representatives

to discuss the Representatives' Issue and the Proposed Solution unless the Representatives' Issue is withdrawn in writing prior to the Authority Meeting.

- 6.4.2 If by 11:59 p.m. on the day of the Authority Meeting, any Representative requests a Weighted Vote regarding the Proposed Solution, then the Project Director, the Representative, and the Other Representatives shall provide to the Project Parties in writing the official vote on behalf of each respective Project Party within five (5) business days of the Authority Meeting. If the Representative fails to cast its vote timely, the Representative shall be deemed to have voted the same way as the Project Director. If the Proposed Solution receives a Consensus Vote, then such vote shall be binding on the Project Parties to the fullest extent permitted by law. As set forth in Section 6.5 below, no Consensus Vote shall occur on Exempt Items, but Exempt Items may become Representatives' Issues and may be the subject of an Authority Meeting, as set forth in this Section.
- 6.4.3 If a vote on the Proposed Solution fails to result in a Consensus Vote in favor of the Proposed Solution, one or more Representative(s) comprising at least 20% of the Weighted Vote may appeal to the Director by sending written notice of appeal to the Project Parties and the Director within 3 business days of such vote. Within 5 business days of receiving notice of an appeal, the Director may choose to change the vote cast on behalf of Houston. If the Director chooses to change Houston's vote, and such change results in a Consensus Vote in favor of the Proposed Solution, then that Consensus Vote shall be binding on the Project Parties to the fullest extent permitted by law. If (i) a notice of appeal is not sent, (ii) the Director does not change Houston's vote within 5 business days, or (iii) any such change does not result in a Consensus Vote, then the decision by the Project Director on the subject matter of the Representatives' Issue (referred to in Section 6.4) shall be binding on the Project Parties to the fullest extent permitted by law.
- 6.4.4 The process set forth in this Section 6.4 is not intended to cause an amendment to the express provisions of this Second Supplement without a written instrument being executed by the governing bodies of Houston and the Authority pursuant to Section 10.4; provided, however, such process is intended to cause implementation of any Proposed Solutions that receive Consensus Vote.

Section 6.5 *Exempt Items.* The Project Parties agree that any items shall not be subject to a Consensus Vote if the Director, in his or her reasonable discretion, determines the items are necessary to comply with any applicable regulatory requirements related to workplace safety, public safety, operations, or regulatory compliance, including environmental compliance, related to the Expansion Project or the existing NEWPP (collectively, the "Exempt Item(s)"). If the Director determines, in his or her reasonable

discretion, that a matter constitutes an Exempt Item, then the Director shall (i) provide the Authority with written notice of such determination, and (ii) in good faith consider any comments or input provided by the Authority related to the Exempt Item(s).

Section 6.6 *Emergency Purchase Order.* The Project Director may reasonably determine that a Houston emergency purchase order is necessary for the continuation of the Expansion Project if (i) due to an emergency, (a) the Project Director reasonably determines that immediate Work is needed to prevent unanticipated damage to the property that comprises the Expansion Project (as opposed to property that comprises the existing NEWPP) and (b) the requirements for emergency purchase orders under State law and Houston's written manuals and procedures are met, and (ii) Appropriated Houston Funds do not have adequate contingency funds available to pay for the immediate Work. In that event, the Project Director shall provide the Representative, as soon as practicable, with written notice (i) including a copy of the emergency purchase order and a description of the emergency and damage to be prevented, and (ii) an estimate of the portion of funds from the emergency purchase order directly benefiting the Expansion Project and the Authority's pro-rata share, based on the Authority's applicable Cost Share, of such estimate. If the emergency purchase order is an Exempt Item or receives a Consensus Vote, then the Authority shall pay Houston its applicable Cost Share of the emergency purchase order within 60 days of receiving an invoice for same from Houston.

ARTICLE VII

NON-PAYMENT

Section 7.1. *Non-Payment Default Generally.* The Project Director shall promptly provide written notice (such as email or other written notice) to all Project Parties of any Non-Payment Default by the Authority or Houston.

Section 7.2. *Authority's Non-Payment Default.* If it is the Authority that is in Non-Payment Default, then, beginning on the 16th and ending on the 45th day after the date the Authority receives written notice of the Authority's Non-Payment Default from the Project Director, Houston shall have the remedies set forth in this Section 7.2. If the Authority cures the Non-Payment Default prior to the 16th day described in the preceding sentence, then the remedies set forth in this Section 7.2 shall not apply.

7.2.1 Houston may assume some or all of the portion (in MGD) of the Expansion Project Reservation for which the Authority has not already provided Cash or provided and maintained Cash Equivalent ("Unpaid Reservation"). Any such assumption by Houston shall be accomplished by Houston providing written notice to all Project Parties that Houston has assumed all of the Authority's outstanding and future rights and obligations in and to the Unpaid Reservation. Thereafter, Houston may retain or sell all or a portion of the Unpaid Reservation;

7.2.2 Houston may modify the Expansion Project to reduce the capacity of the Expansion Project to eliminate some or all of the Unpaid Reservation. The additional Costs resulting therefrom that are incurred by the other Project Parties, including, without limitation, Engineering Costs for re-design Work, (collectively “Downsizing Costs”) shall be due from the Authority, as described below. Any Project Party not then in Non-Payment Default may demand payment of the Downsizing Costs, which payment shall be made within 90 days thereafter by the Authority, pro-rata, to the other Project Parties;

7.2.3 Houston may assign some or all of the Unpaid Reservation to one or more of the Other Authorities in accordance with Section 3.2.2 if the one or more Other Authority(ies) to whom it is assigned agree, in writing, to the assignment; and

7.2.4 Houston may refuse any requests for Reservations from the Authority received by Houston prior to December 31, 2025.

Section 7.3. *Remaining Unpaid Reservation.* In the event some portion of Unpaid Reservation is remaining after Houston exercises its options pursuant to Section 7.2, or if the 45-day period described in Section 7.2 expires and any portion of the Unpaid Reservation is still remaining, then the Authority that is in Non-Payment Default shall be deemed to have assigned to the Project Parties that are not then in Non-Payment Default (and such Project Parties are deemed to have assumed), pro-rata, the outstanding and future rights and obligations in and to the Unpaid Reservation.

Section 7.4. *Houston’s Non-Payment Default.* If it is Houston that is in Non-Payment Default, then the Authority shall have the remedies set forth in this Section 7.4, beginning on the 16th and ending on the 45th day after the earlier of: (i) the date the Authority receives written notice of Houston’s Non-Payment Default from the Project Director, or (ii) the date Houston receives written notice of Houston’s Non-Payment Default from the Authority. If the Authority provides notice to Houston pursuant to the preceding sentence, the Authority, contemporaneous with its sending such notice to Houston, shall provide a copy of same to the other Project Parties. If Houston cures the Non-Payment Default prior to the 16th day described in the first sentence of this paragraph, then the remedies set forth in this Section 7.4 shall not apply.

7.4.1 Pursuant to Section 7.4, the Authority and the Other Authorities (if they are not then in Non-Payment Default) may agree among themselves to assume all of the portion (in MGD) of Houston’s capacity in the Expansion Project for which Houston has not already Appropriated Houston Funds (“Unpaid Capacity”). Any such assumption by the Authority and such Other Authorities shall be accomplished by the Authority and such Other

Authorities providing written notice to all Project Parties that they have assumed all of Houston's outstanding and future rights and obligations in and to the Unpaid Capacity.

7.4.2 In the event the 45-day period described in this Section 7.4 expires and any portion of the Unpaid Capacity is still remaining, then Houston shall be deemed to have assigned to the Project Parties (other than Houston) that are not then in Non-Payment Default (and such Project Parties are deemed to have assumed), pro-rata, the outstanding and future rights and obligations in and to the Unpaid Capacity.

7.4.3 In the event of Houston's Non-Payment Default, Houston shall continue with its obligations under this Second Supplement to complete the Expansion Project.

Section 7.5. *Late Interest.* For the first 45 days following the date a Party enters into Non-Payment Default or following the date that a Party is delinquent in paying Downsizing Costs pursuant to Section 7.2.2, late interest shall accrue on the delinquent amount at an interest rate equal to (i) one percent, plus (ii) the prime rate as published in the Wall Street Journal on the first business day of July of the preceding calendar year. Any Project Party not then in Non-Payment Default may demand payment of such late interest, which payment shall be made within 60 days thereafter by the Party in Non-Payment Default, pro-rata, to the other Project Parties. Thereafter, any interest shall accrue as may be required by law.

Section 7.6. *Preservation of Remedies.* Exercise of the options and remedies set forth in this Article VII does not waive any other remedies (including, without limitation, remedies for damages) that may be available at law or in equity against the Project Party that is in Non-Payment Default.

Section 7.7. *Modification of Time Periods.* The Project Director, the Authority, and the Other Authorities may collectively agree in writing to modify any of the time-periods set forth in this Article VII.

Section 7.8. *Agreement Not Required if in Non-Payment Default.* Certain provisions of this Second Supplement allow for revisions to this Second Supplement if the Project Director, the Authority, and the Other Authorities (or the Project Director and the Representatives) collectively agree in writing. In the event a Project Party is then in Non-Payment Default, agreement from such Project Party shall not be required for the other Project Parties to be able revise the Second Supplement as described in the preceding sentence.

ARTICLE VIII

ACCOUNTING & FINAL STATEMENT

Section 8.1. *Payment for Work.* As the Project Director receives invoices for the Work and Acquisition Costs, the Project Director shall review and approve or disapprove such invoices and shall pay for same as provided herein. The Project Director shall post this payment information and the other documents described in this Article to the Work Management System.

Section 8.2. *Annual Financial Report.* Each year until the Final Accounting and by no later than October 1 of each year, the Project Director shall post to the Work Management System an interim, unaudited financial report ("Annual Financial Report") of the (i) funds credited to and debited from the Escrow Account, (ii) sources and uses of funds credited to and debited from (and the dates of such credits and debits) the Authority Fund, (iii) the amount(s) of funds paid (and date(s) paid) by Houston out of the Appropriation of Houston Funds, (iv) earnings and interest accrued in the Authority Fund for the benefit of the Authority and Other Authorities, (v) the Cost Recovery Amounts and calculation thereof, and (vi) for the initial Annual Financial Report, the Costs incurred by Houston prior to December 1, 2014, in accordance with Section 3.4. The reporting period for Annual Financial Reports shall include all transactions from July 1 of the previous calendar year through June 30 of the current year.

Section 8.3. *Phase Financial Report.* Within 90 days of completion of the Work for any Phase, the Multi-Phase Work, or the Oversized Facilities, the Project Director shall post to the Work Management System a final, unaudited financial report of all Costs for that Phase, Multi-Phase Work, or Oversized Facilities ("Phase Financial Report"). The Phase Financial Report shall provide the same type of information and formatting as the Annual Financial Report and shall identify the remaining Cash and Cash Equivalent in the Escrow Account and the Cash in the Authority Fund and anticipated refunds and shortfalls, based upon the most-current Budget and Participation Table.

Section 8.4. *Semi-Annual Cost Recovery Amounts Report.* Semi-Annually, Houston shall provide to the Authority a report showing all Cost Recovery Amounts Houston charged to the Expansion Project during the period from January 1st to June 30th and from July 1st to December 31st of each year. Reports for the period ending December 31st shall be due by the following February 28th and reports for the period ending on June 30th shall be due by August 31st. Notwithstanding the foregoing, the first report shall cover the period from December 1, 2014 to June 30, 2015 and be due by August 31, 2015.

Each report shall include for the applicable period: (i) for each Direct Employee recording hours worked on the Expansion Project (a) the total cost to Houston for the employee's salary and associated benefits, expressed as an annual amount and as an hourly rate, (b) the total hours worked, and (c) the totals hours worked on the Expansion Project;

(ii) the total of all amounts determined pursuant to (i); (iii) the total costs of salaries and associated benefits for all Direct Employees, whether each employee recorded hours worked on the Expansion Project or not; (iv) the Overhead Factor; (v) an itemized list and backup for all costs included as Overhead; (vi) the total Cost Recovery Amount.

Section 8.5. *Review and Comment.* The Representative shall have the opportunity to review and comment on Annual Financial Reports, Phase Financial Reports, Final Accounting, and the True-Up Statement within 30 days of the later of: (i) the date the applicable document is posted to the Work Management System, or (ii) the date an email (or other written notice) is received by the Representative from the Project Director notifying the Representative that the applicable document has been posted to the Work Management System. The Project Director shall address any of the Representative's comments within 30 days of receiving the comment(s). The Project Director and Representative may agree in writing to a longer period for comments and to address such comments.

Section 8.6. *Agreed Upon Procedures.* No later than the first anniversary of the Second Supplement Effective Date, Project Parties that collectively comprise more than 63% of the Multi-Phase Cost Shares, as provided in the Participation Table, shall agree on standard procedures and questions for AUP Reports. The cost incurred by Houston to obtain each AUP Report shall be considered a Work Item shared by the Project Parties according to their respective Cost Shares for Multi-Phase Work.

8.6.1 Within 90 days after the end of the time-period for the Representative to provide comments to a Phase Financial Report under Section 8.5, the Project Director shall cause an AUP Report to be prepared and posted on the Work Management System ("Phase AUP Report"). A Phase AUP Report shall review, test, and verify the associated Phase Financial Report.

8.6.2 The Representative shall have the opportunity to review the Phase AUP Report and provide comments to the Project Director for 30 days following the later of: (i) the date the Phase AUP is posted to the Work Management System, or (ii) the date an email (or other written notice) is received by the Representative from the Project Director notifying the Representative that the Phase AUP has been posted to the Work Management System. The Project Director shall consider and respond to said comments and may provide an addendum to the Phase AUP Report.

Section 8.7. *Final Accounting.* The last Phase AUP Report shall include a final accounting for all Phases, Multi-Phase Work, and Oversized Facilities ("Final Accounting") that includes: (a) a list of all Costs paid from the Authority Fund and from Appropriations of Houston Funds; (b) the cumulative amount of Cash withdrawn by Houston from the Escrow Account and from escrow accounts created under the Other Second Supplements; (c) the earnings and interest earned on the Authority's funds and the Other Authorities'

funds in the Authority Fund; (d) the amount of funds, if any, remaining in the Authority Fund after all Costs have been paid; (e) the Authority's and the Other Authorities' pro-rata share shown as a percentage and dollar amount, based on the applicable Cost Share, of any remaining funds described in (d) above; (f) the amount of funds, if any, the Authority owes for the Work, Cost Recovery Amounts, and Acquisition Costs based on its applicable Cost Share that was not already paid by the Authority pursuant to this Second Supplement; and (g) the Costs incurred by Houston prior to December 1, 2014, in accordance with Section 3.4. In accordance with this Second Supplement, the Final Accounting shall state for each Project Party the amounts, if any, due or owing to or from such Project Party for the items calculated using items (a) through (g) above. The Final Accounting shall also include (i) the Oversizing Costs based on the Final Oversized Price and the Final Non-Oversized Price of each applicable Work Item pursuant to Section 3.14 and (ii) the items listed in the third paragraph of Section 3.15.1.

Section 8.8. *True-Up.* Consistent with the Final Accounting, and within 60 days after the Final Accounting has been posted to the Work Management System, the Project Director shall prepare a True-Up Statement (the "True-Up Statement") reflecting the amount, if any, due to or owed from the Authority pursuant to this Second Supplement, and shall post same on the Work Management System. After the comment period provided for in Section 8.5, the Project Director shall issue the Authority the True-Up Statement, including any revisions made by the Project Director based on comments received. If the True-Up Statement provides that the Authority owes Houston a payment, the Authority shall pay any such amount to Houston within 180 days of the date the True-Up Statement is received by the Authority and the Authority shall be in default if it fails to do so. If the True-Up Statement provides that Houston owes the Authority a payment, Houston shall pay any such amount to the Authority within 90 days of the date the True-Up Statement is issued and Houston shall be in default if it fails to do so. Nothing in this Section prohibits a Party from challenging the calculation of the Annual Financial Reports, Phase Financial Reports, Final Accounting, or the True-Up Statement, as not being in compliance with this Second Supplement.

ARTICLE IX

TERM

Section 9.1 *Term.* Section 15 of the First Supplement is amended to read as follows:

"The Contract and the Second Supplement shall expire at noon on January 1, 2080. At such time as the Contract and the Second Supplement are no longer in force and effect, if requested in writing by the Authority, Houston agrees to continue to provide water services to the Authority upon the payment of reasonable rates and charges therefor which take into account the capital payments paid by the Authority to Houston pursuant to the Contract (and any supplements, including the Second Supplement, or amendments thereto) and the

Authority's equitable interest described below. Upon the date that the Contract and the Second Supplement are no longer in force and effect, the Authority will own the right to use the capacity of the Untreated Water Facilities and Treated Water Facilities proportionate to the amount of its Water Demand Allocation as it existed immediately prior to such date. The immediately preceding two (2) sentences shall survive the expiration or termination of the Contract and the Second Supplement."

The term "Contract" in the above paragraph, and throughout this Second Supplement, has the meaning given in Section 2.19 of this Second Supplement.

ARTICLE X MISCELLANEOUS

Section 10.1 *Time; Force Majeure*. Time is of the essence with respect to performance of all obligations set forth in this Second Supplement. The Force Majeure provisions of the Original Contract apply to this Second Supplement; provided, however, Force Majeure does not excuse a failure to timely satisfy Cash Call obligations.

Section 10.2 *Severability*. If any part of this Second Supplement is for any reason found to be unenforceable, all other parts remain enforceable.

Section 10.3 *Recitals*. The recitals contained in Article I are true and correct, accurately represent the understandings and intent of the parties, and are incorporated into this Second Supplement by reference.

Section 10.4 *Written Amendment*. Unless otherwise specified elsewhere in this Second Supplement, this Second Supplement may be amended only by written instrument executed by the governing bodies of Houston and the Authority and, if the amendment is to a provision in Article III through VIII, then the written consent of all Project Parties shall be required.

Section 10.5 *Applicable Laws*. This Second Supplement is subject to the laws of the State of Texas, the Houston's Charter and Ordinances (to the extent the Ordinances are not inconsistent with this Second Supplement), the laws of the federal government of the United States, and all rules and regulations of any regulatory body or officer having jurisdiction. Venue for any litigation relating to this Second Supplement is Harris County, Texas.

Section 10.6 *Notices*. All notices required or permitted by this Second Supplement must be in writing and are deemed delivered on the earlier of the date actually received or the third day following: (a) deposit in a United State Postal Service post office or receptacle; (b) with proper postage (certified mail, return receipt requested); and (c) addressed to the other party at the address provided in the Original Contract.

Section 10.7 *Captions*. Captions contained in this Second Supplement are for reference only, and therefore, have no effect in construing this Second Supplement. The captions are not restrictive of the subject matter of any section in this Second Supplement.

Section 10.8 *Non-Waiver*. If any Party fails to require another Party to perform a term of this Second Supplement, that failure does not prevent the Party from later enforcing that term and all other terms. If any Party waives another Party's breach of a term, that waiver does not waive a later breach of this Second Supplement.

Section 10.9 *Enforcement*. The City Attorney, or his or her designee, may enforce all of Houston's legal rights and obligations under this Second Supplement without further authorization.

Section 10.10 *Ambiguities*. If any term of this Second Supplement is ambiguous, it shall not be construed for or against any Party on the basis that the Party did or did not write it.

Section 10.11 *Remedies Cumulative*. Unless otherwise specified elsewhere in this Second Supplement, the rights and remedies contained in this Second Supplement are not exclusive, but are cumulative of all rights and remedies that exist now or in the future at law or in equity (including, without limitation, specific performance, mandamus, and injunctive relief). No Party may terminate its duties under this Second Supplement except as may be specifically provided for in this Second Supplement.

Section 10.12 *Third Party Beneficiaries*. The terms of this Second Supplement will be binding upon, and inure to the benefit of, the Parties hereto and their permitted successors and assigns. The Parties hereby expressly acknowledge and stipulate their intent that each of the Project Parties not included within the definition of the Parties shall be a third party beneficiary of this Second Supplement, and shall have the right and legal standing to enforce the respective obligations of the Parties hereunder to the full extent allowed at law or in equity; provided, however, that in no event shall the Project Parties have the right to bring suit for money damages against any Party to this Second Supplement in any case or cause of action in which a direct Party to this Second Supplement would have no right to bring suit for money damages under the terms of this Second Supplement. Except as described in the preceding sentence, this Second Supplement shall be for the sole and exclusive benefit of the Parties and shall not be construed to confer any rights upon any third party.

Section 10.13 *Waiver of Immunity*. The Project Parties expressly acknowledge and agree that this Second Supplement constitutes a contract by which each Project Party is providing goods and/or services to all other Project Parties and that this Second Supplement is subject to the provisions of Subchapter I, Chapter 271, of the Texas Local Government Code.

Section 10.14 *Reserved*.

Section 10.15 *Assignability*. Unless otherwise specified elsewhere in this Second Supplement, this Second Supplement shall not be assignable by either Party without the prior written consent of the other Project Parties.

Section 10.16 *Additional Information*. The provisions of this Section shall terminate 180 days after the Authority receives a True-Up Statement calculated pursuant to Section 8.8. The Authority shall provide the Project Director with the following documents no later than the time the Authority submits such documents to the Municipal Securities Rulemaking Board (“MSRB”) via the Electronic Municipal Market Access system established by the MSRB: (i) the Authority’s annual audited financial statements, and (ii) notice of these specified events with respect to outstanding Authority bonds:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults, if Material;
- 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-exempt status of the Authority’s outstanding bonds, or other Material events affecting the tax-exempt status of the Authority’s outstanding bonds;
- G. Modifications to rights of holders of the Authority’s outstanding bonds, if Material;
- H. Release, substitution, or sale of property securing repayment of the Authority’s outstanding bonds, if Material;
- I. Rating downgrades (other than bond insurance company rating downgrades);
- J. Bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person within the meaning of the United States Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the “Rule”); and
- K. 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, if Material.

Upon discovery of an event of default under any agreement by which the Authority obtained a line of credit or letter of credit (if any) as Cash Equivalent under this Second Supplement, the Authority shall deliver to the Project Parties (via the Work Management System or other

means of delivery) a certificate specifying the nature of such event of default, the period of existence of such default, and the action that the Authority has taken and will take to remedy such default.

ARTICLE XI

EFFECT ON AND AMENDMENTS TO THE ORIGINAL CONTRACT

Section 11.1 *Entire Agreement.* This Second Supplement merges the prior negotiations and understandings of the Parties and embodies the entire agreement of the Parties in relation to the Expansion Project, the Work, the Costs, the Expansion Project Reservation, and the Oversized Facilities Option. No other agreements, assurances, conditions, covenants (express or implied), or other terms of any kind, exist between the Parties regarding the Expansion Project, the Work, the Costs, the Expansion Project Reservation, and the Oversized Facilities Option contemplated in this Second Supplement.

Section 11.2 *Authority's Payment of O&M Expenses; Amendments to Original Contract.*

- 11.2.1 The term "Plant Facilities" is currently defined in the Contract as the facilities identified in Exhibit "B" attached thereto and such exhibit describes the Northeast Water Purification Plant as it exists prior to the Second Supplement Effective Date. For all purposes under the Contract, after the Authority begins receiving Water from the Expansion Project, the term "Plant Facilities" shall be expanded to also include the Expansion Project.
- 11.2.2 For purposes of calculating the O&M Expenses for the Authority (except for purposes of item "F", which is provided for in Section 11.2.3 below), the parties agree to treat the portion of the Plant Facilities existing on the Second Supplement Effective Date and the portion of the Plant Facilities constructed as part of the Expansion Project as a single water plant. As a result, after the Authority begins receiving water out of the Expansion Project, the calculation stated in Section 4.02 of the Original Contract for calculating the Authority's O&M Expenses shall be amended by (i) adding ". less the amount (in millions of gallons) of Water taken from the Plant Facilities during such year by the West Harris County Regional Water Authority and the North Fort Bend Water Authority, combined. The amounts taken from the Plant Facilities by the other aforementioned water authorities shall be determined by the amount of Water measured by the measuring equipment pursuant to Article VII of their respective Water Supply Contracts with Houston." to the end of the current description of "B;" and (ii) adding ". less the amount of all such costs and expenses paid by the West Harris County Regional Water Authority and the North Fort Bend Water Authority, combined." to the end of the first sentence of the description of "C."

11.2.3 In addition, the second sentence of item “F” is amended to read as follows: “As used in this definition, the ratio for determining the share of the cost borne by the Authority is a fraction, the numerator of which is the Authority’s then-current Treated Water Facilities Demand Allocation in the applicable facility and the denominator of which is the total capacity (in MGD) of the entire applicable facility subject to the Major Rehabilitation, repair or replacement. For purposes of this calculation, the Plant Facilities, existing at the expansion date of this Second Supplement) and the Expansion Project shall be treated as two separate facilities after the Authority begins receiving water out of the Expansion Project.”

Section 11.3 *Reserved.*

Section 11.4 *Conflicts.* This Second Supplement shall control over the Contract with respect to the matters addressed in this Second Supplement, including, without limitation: (i) the Expansion Project and all payments from the Authority related to the same, (ii) the Phase 1 Expansion Project Reservation, Phase 2 Expansion Project Reservation, Oversized Facilities Option, and all payments related to the same, and (iii) calculation of O&M Expenses with respect to the Expansion Project. Except to the extent inconsistent with this Second Supplement, all terms of the Contract remain in full force and effect.

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ARTICLE XII

SIGNATURES

IN WITNESS WHEREOF, Participants have executed this Second Supplement in multiple copies, each of which shall be deemed to be an original, as of the date of countersignature by the City Controller of Houston.

**ATTEST/SEAL (if a corporation):
WITNESS (if not a corporation):**

**CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY**

By: Wedge Caston
Name: Wedge Caston
Title: Secretary, Board of Directors

By: Julian J. Boddy
Name: Julian Boddy
Title: Vice President, Board of Directors

ATTEST/SBAL:

Ma Russell
City Secretary

CITY OF HOUSTON, TEXAS

Signed by:

Armando D. Parker
Amanda Washington
Mayor

APPROVED:

Jale A. Rudick
Director, Public Works & Eng.
Department

COUNTERSIGNED BY:

Ronald C. King
City Controller General Polk

APPROVED AS TO FORM:

[Signature]
Assistant City Attorney
L.D. File No. [Signature]

DATE COUNTERSIGNED:

2-25-15
("Second Supplement Countersignature Date")

EXHIBIT "A"
PARTICIPATION TABLE

Exhibit A: Participation Table

	NEWPP Expansion Project Reservation in Million Gallons per Day (MGD)		
	Total	Phase 1	Phase 2
NHCRWA	113.00	51.05	61.95
CHCRWA	4.88	0.46	4.42
NFBWA	68.50	11.46	57.04
WHCRWA	82.42	17.03	65.39
COH*	51.20	0.00	51.20
TOTAL	320.00	80.00	240.00

	NEWPP Expansion Project – Cost Share		
	Multi-Phase (%)	Phase 1 (%)	Phase 2 (%)
NHCRWA	35.313%	63.813%	25.813%
CHCRWA	1.525%	0.575%	1.842%
NFBWA	21.406%	14.325%	23.767%
WHCRWA	25.756%	21.288%	27.246%
COH	16.000%	0.000%	21.333%
TOTAL	100.00%	100.00%	100.00%

* Represents Houston's additional capacity in the Expansion Project, as Houston does not have an Expansion Project Reservation.

** Exhibit A shall be updated to reflect that the Over-Sized Facilities Design Capacity is ____ MGD, to be determined in accordance with Section 3.14 of the Second Supplement.

EXHIBIT "B"
BUDGET

EXHIBIT "C"
SCHEDULE

EXHIBIT "D"
ESCROW AGREEMENT

EXHIBIT "D"

ESCROW & PAY AGENT AGREEMENT

This Escrow & Pay Agent Agreement (the "Escrow Agreement") is entered into as of _____, 20____, by and between _____ Water Authority, a conservation and reclamation district organized and operating under the provisions of _____ (the "Authority"), _____ (the "Escrow Agent"), and _____, as beneficiary under this Escrow Agreement, the City of Houston ("Houston").

The Authority entered into that certain Second Supplement to Water Supply Contract (the "Second Supplement"), effective as of _____.

The Second Supplement, attached as **Exhibit A**, contains provisions regarding the Authority's and Houston's respective responsibilities and obligations related to the funding of the design and construction of the Expansion Project, which involves the expansion of the Northeast Water Purification Plant located at 12121 North Sam Houston Parkway East, Humble, Texas 77396 (the "NEWPP").

Pursuant to the Second Supplement and this Escrow Agreement, the Authority shall deposit into the Escrow Account (as defined below) Cash or Cash Equivalent (as defined in the Second Supplement), representing the Authority's pro-rata share of a portion of the costs of the Expansion Project.

Pursuant to the terms of this Escrow Agreement, the Escrow Agent has agreed to hold such Cash or Cash Equivalent in a separately segregated trust account ("Escrow Account") and disburse funds from the Escrow Account, as set forth this Escrow Agreement.

Pursuant to, and subject to the terms and conditions of, the Second Supplement and this Escrow Agreement, Houston shall draw funds from the Escrow Account to be used to pay for the Authority's pro-rata share of a portion of the costs of the Expansion Project; Now, Therefore,

FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREIN CONTAINED, the Authority, Houston, and Escrow Agent do mutually agree as follows:

Section 1: The recitals above are true and correct and are incorporated into this Escrow Agreement by reference. All capitalized terms used in this Escrow Agreement not otherwise defined herein shall have the meanings assigned to such terms in the Second Supplement.

Section 2: The Parties hereby appoint Escrow Agent to serve as Escrow Agent as set forth herein, and the Escrow Agent hereby accepts and agrees to perform its obligations hereunder.

Section 3: Pursuant to the Second Supplement, and for each Cash Call issued to the Authority by Houston, the Authority shall deposit Cash into the Escrow Account from time to time in the amounts, and within the time-periods, required by the Second Supplement. The Escrow Agent shall separately account for the Cash deposited by the Authority for each of the

Cash Calls. Notwithstanding the other provisions of this paragraph, pursuant to the Second Supplement, in lieu of Cash, the Authority may provide the Escrow Agent with Cash Equivalent(s) that satisfy individual or multiple Cash Calls. Each Cash Equivalent will be payable to the Escrow Agent for the benefit of the Escrow Account. The Authority may at any time replace Cash Equivalent with Cash. Each time the Authority provides Cash or Cash Equivalent to the Escrow Agent, the Authority shall provide a written notice to the Escrow Agent (with a contemporaneous copy to all Project Parties) that identifies the particular Cash Call to which the Cash or Cash Equivalent applies.

Section 4: The Cash and Cash Equivalent provided by the Authority hereunder to the Escrow Agent are owned by the Authority. Subject to the terms of this Escrow Agreement, and once Houston's City Controller has certified in writing to the Escrow Agent that the Cash or Cash Equivalent has been appropriated by Houston's City Council for a Cash Call, such Cash and Cash Equivalent shall be held by the Escrow Agent until the Termination Date (defined below). The Project Director shall from time to time submit to the Escrow Agent Withdrawal Request and Certificates, substantially in the form attached hereto as **Exhibit B**, which describe the Project Director's request for funds, identify from which Cash Call funds are being withdrawn, and certify the following: (i) that the request for funds is solely to pay for the Authority's pro-rata share of Costs, based on the Authority's applicable Cost Share, funded by the Cash Call that the Project Director has identified in the Withdrawal Request and Certificate; (ii) that, for Costs that are for Engineering Costs or Construction Costs, the Project Director has reasonably determined that a certain amount of funds are needed to pay for such Costs and that such Costs are reasonably estimated by the Project Director to be due from Houston to pay Consultants or the Contractor within 90 calendar days after the date the Project Director signs the Withdrawal Request and Certificate, and (iii) that, for Costs that are for Cost Recovery Amounts, Houston has already paid such amounts, or reasonably expects to pay such amounts within 90 calendar days after the Project Director signs the Withdrawal Request and Certificate, and has documented or will document such amounts in a Semi-Annual Cost Recovery Amounts Report. All earnings and interest attributable to Cash and Cash Equivalent in the Escrow Account are owned by the Authority, and, upon written request from the Authority, shall be released by the Escrow Agent to the Authority or allocated by the Escrow Agent to a particular Cash Call.

Section 5: The Escrow Agent shall pay Houston the funds that are requested by the Project Director in the Withdrawal Request and Certificate within 5 business days of the date the Escrow Agent receives the Withdrawal Request and Certificate. The Escrow Agent shall make each of such payments according to the following procedure: (i) first, it shall draw funds from any Cash that has been deposited for that particular Cash Call, and (ii) second, if there is no such Cash attributable to that Cash Call, then the Escrow Agent shall draw upon the Cash Equivalent attributable to that Cash Call to the extent necessary to pay the funds requested by the applicable Withdrawal Request and Certificate.

Section 6: The Escrow Agent shall deposit all Cash, and hold any Cash Equivalent, received from the Authority in the Escrow Account to be held by the Escrow Agent in a fiduciary capacity for the benefit of the Project Parties for the Expansion Project in accordance with the terms and conditions of the Second Supplement. All moneys in the Escrow Account may only be invested in permitted investments under Chapter 2256 of the Texas Government

Code or deposited in accounts collateralized as required by Chapter 2257 of the Texas Government Code, all as shall be directed in writing by the Authority in compliance with the Authority's investment policy.

Section 7: The Escrow Agent shall (i) within 2 business days of the Authority providing to the Escrow Agent Cash or Cash Equivalent (or the renewal or extension of a Cash Equivalent), provide written notice to the Project Parties of the dollar amount of same with a copy of any Cash Equivalent provided, (ii) send monthly statements to all Project Parties of the Authority's current balance stating any deposits into or disbursements from the Escrow Account, and (iii) in the event the Escrow Agent draws funds from Cash Equivalent, the Escrow Agent shall notify all Project Parties (within 2 business days of the draw) of the balance remaining and available for such Cash Equivalent. Notifications and submittals to all Project Parties must be in writing and are deemed delivered on the earlier of the date actually received or the third business day following (a) deposit in a United States Postal Service post office or receptacle; (b) with proper postage (certified mail, return receipt requested); and (c) addressed to the applicable Project Party at the address set forth below. In addition, upon request from any of the Project Parties to send notices through other methods (including electronic mail), the Escrow Agent shall also send notice through such methods.

North Fort Bend Water Authority:

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

With a copy to:
North Fort Bend Water Authority
c/o AVANTA Services
Attn: Pamela Logsdon
5635 Northwest Central Dr., Suite 104E
Houston, Texas 77092

The City of Houston:

City of Houston
City Controller
c/o Ronald Green
901 Bagby, 6th Floor
Houston, Texas 77002

With a copy to:
City of Houston
Resource Management Division
c/o Susan Bandy

611 Walker, 25th Floor
Houston, Texas 77002

West Harris County Regional Water Authority:

West Harris County Regional Water Authority
c/o Allen Boone Humphries Robinson, LLP
Attn: Alex Garcia
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

With a copy to:
West Harris County Regional Water Authority
c/o Myrtle Cruz, Inc.
Attn: Mary Jarmon
3401 Louisiana Street, Suite 400
Houston, Texas 77002

Central Harris County Regional Water Authority:

Central Harris County Regional Water Authority
c/o Schwartz, Page & Harding, LLP
Attn: Abraham Rubinsky
1300 Post Oak Blvd., Suite 1400
Houston, Texas 77056

With a copy to:
Central Harris County Regional Water Authority
F. Matuska Inc.
Attn: Fran Matuska
4600 Highway 6 North, Suite 315
Houston, Texas 77084

North Harris County Regional Water Authority:

North Harris County Regional Water Authority
Attn: General Manager
3648 Cypress Creek Parkway, Suite 110
Houston, Texas 77068

With a copy to:
North Harris County Regional Water Authority
c/o Radcliffe Bobbitt Adams Polley PLLC
Attn: Robin S. Bobbitt
1001 McKinney, Suite 1000
Houston, Texas 77002

Section 8. In addition to Section 7, above, the Escrow Agent will provide the Project Parties reports upon request, which reports will describe in reasonable detail all transactions pertaining to the Escrow Account. The Project Parties may also inspect and make copies of the information in the books and records of the Escrow Agent pertaining to the Escrow Account at any time the Escrow Agent is customarily open for business, provided that reasonable time is allowed the Escrow Agent to provide an up-to-date listing or to convert the information into written form.

Section 9. Escrow Agent hereby agrees to hold the Cash and Cash Equivalent in accordance with the terms of this Escrow Agreement and to disburse funds from the Escrow Account in strict accordance with the terms of this Escrow Agreement.

Section 10. As compensation for the Escrow Agent's services as Escrow Agent, the Authority shall be responsible to pay the Escrow Agent the fees set forth in the Escrow Agent's fee schedule attached as **Exhibit C** hereto.

Section 11: This Escrow Agreement shall terminate and any remaining Cash and Cash Equivalent (and earnings and interest attributable to the Cash and Cash Equivalent) shall be released and returned to the Authority within 5 business days after the earlier to occur of (such date, the "Termination Date") (a) January 1, 2027, or (b) the date on which Houston notifies the Escrow Agent in writing that Houston has provided the True-Up Statement to the Authority. Houston shall so notify the Escrow Agent (with a contemporaneous copy to the Authority) at the same time that Houston provides the True-Up Statement to the Authority.

Section 12. The Authority shall have the right to terminate this Escrow Agreement prior to the Termination Date determined in accordance with Section 11 above, with or without cause, upon 30 calendar days prior written notice to all parties hereto; provided, however, that no such termination shall be effective until a successor escrow agent has been appointed and has accepted the duties of the Escrow Agent hereunder. If this Escrow Agreement is terminated prior to the Termination Date, then (a) the Authority shall promptly designate a substitute escrow agent, and (b) the Escrow Agent shall deliver to the successor escrow agent all remaining Cash and Cash Equivalent (and earnings and interest attributable to the Cash and Cash Equivalent) held by the Escrow Agent, and all books and records pertaining to the Escrow Agent's role as Escrow Agent hereunder.

Section 13. Escrow Agent shall have the right to resign at any time by giving 30 calendar days' advance written notice of such resignation to the other parties hereto, specifying the effective date of such resignation. Within fifteen (15) calendar days after the Authority receives such notice, the Authority shall appoint a successor escrow agent to which the Escrow Agent shall turn over the remaining Cash and Cash Equivalent. If a successor escrow agent has not been appointed and has not accepted such appointment by the end of such 30-day period, Escrow Agent may either (a) interplead the Cash and Cash Equivalent in the Escrow Account with a court of competent jurisdiction in Harris County, Texas for the appointment of a successor escrow agent; or (b) appoint a successor escrow agent of its own choice. Subject to the

Authority's termination rights under Section 12, any such appointment of a successor escrow agent shall be binding upon the parties. No such appointed successor escrow agent shall be deemed to be an agent of Escrow Agent.

Section 14. The Escrow Agent shall have only the rights, powers, privileges and duties expressly set forth in this Escrow Agreement, together with those rights, powers and privileges reasonably incident thereto.

Section 15. This Escrow Agreement may be executed in counterparts and by facsimile, portable document format (PDF), and other electronic means, each of which shall be deemed an original and which together shall constitute one and the same agreement.

Section 16. This Escrow Agreement shall not be assignable without the consent of all parties hereto.

Section 17. The terms and provisions of this Escrow Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their permitted successors and assigns. The parties hereto hereby expressly acknowledge and stipulate their intent that each of the Project Parties not executing this Escrow Agreement shall be a third party beneficiary of this Escrow Agreement, and shall have the right and legal standing to enforce the respective obligations of the parties hereto hereunder to the full extent allowed at law or in equity; provided, however, that in no event shall any of the Project Parties have the right to bring suit for money damages against any party hereto in any case or cause of action in which a direct party to this Escrow Agreement would have no right to bring suit for money damages under the terms of this Escrow Agreement.

Section 18. No amendment or changes to this Escrow Agreement shall become effective unless in writing and signed by the Escrow Agent and all of the Project Parties.

Section 19. Houston only has the right to access the Authority's funds that have been deposited in the Escrow Account in accordance with this Escrow Agreement. Funds, if any, that the Authority currently or hereafter deposits or invests with the Escrow Agent in the Escrow Agent's capacity outside of this Escrow Agreement (for example, without limitation, in connection with water projects other than the Expansion Project or bond proceeds related to the Expansion Project that have not yet been deposited in the Escrow Account) shall not be subject to the terms and conditions of this Escrow Agreement.

Section 20. This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF the parties have executed this Escrow Agreement as of the date and year first written in this Escrow Agreement.

[_____ WATER AUTHORITY]

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

ESCROW AGENT:

By: _____
Name: _____
Title: _____

CITY OF HOUSTON (AS BENEFICIARY)

APPROVED:

Director, _____
Department

APPROVED AS TO FORM:

Assistant City Attorney
L.D. File No. _____

**EXHIBIT A
SECOND SUPPLEMENT**

**EXHIBIT B
WITHDRAWAL REQUEST AND CERTIFICATE**

Withdrawal Request and Certificate No. ____

Date: _____

To: _____, Escrow Agent

Pursuant to the Second Supplement to Water Supply Contract that is referenced in the Escrow & Pay Agent Agreement, I, _____, the Project Director, request to withdraw \$x from the Authority's [fill in applicable water authority name] Escrow Account, in accordance with Cash Call No. ____, attached hereto.

I certify the following: (i) that the request for funds is solely to pay for the Authority's pro-rata share of Costs, based on the Authority's applicable Cost Share, funded by the Cash Call attached hereto ; (ii) that, for Costs that are for Engineering Costs or Construction Costs, I have reasonably determined that the funds being withdrawn hereby are needed to pay for such Costs and that such Costs are reasonably estimated to be due from Houston to pay Consultants or the Contractor within 90 calendar days after the date of this Withdrawal Request and Certificate, and (iii) that, for Costs that are for Cost Recovery Amounts, Houston has already paid such amounts, or reasonably expects to pay such amounts within 90 calendar days after the Project Director signs the Withdrawal Request and Certificate, and has documented or will document such amounts in a Semi-Annual Cost Recovery Amounts Report.

Capitalized terms used herein shall have the same meaning given to such terms in the Second Supplement to Water Supply Contract that is referenced in the Escrow & Pay Agent Agreement.

AGREED TO AND CERTIFIED BY, AS OF THE DATE SET FORTH ABOVE:

Project Director

EXHIBIT C
ESCROW AGENT'S FEE SCHEDULE

EXHIBIT "E"
CASH CALL NO. 1

EXHIBIT "E"



**Cash Call Due
#1**

City of Houston

Public Works & Engineering
 Combined Utility System
 611 Walker
 Houston, Texas 77002

DATE: FEBRUARY 12, 2015
 CASH CALL # 1

TO Abrey Rubinsky
 Central Harris County Regional Water Authority
 1300 Post Oak Blvd., Suite 1400
 Houston, Texas 77056-3078
 713-623-4531
 Customer ID 7099-3027-1016

PAYMENT BY CASH OR CASH EQUIVALENT SHOULD BE REMITTED TO ESCROW AGENT FOR ESCROW ACCOUNT	PAYMENT TERMS AND DUE DATE
	120 Days after Second Supplement Effective Date

Description	Dollar Amount	Cost Share Percentage	Line Total
Multi-Phase Project Cost (including contingency)	\$ 96,822.00	1.525%	\$ 96,822.00
Multi-Phase PWE Cost Recovery	\$ 9,549.00	1.525%	\$ 9,549.00
Phase 1 Project Cost (including contingency)			\$ -
Phase 1 PWE Cost Recovery			\$ -
Phase 2 Project Cost (including contingency)			\$ -
Phase 2 PWE Cost Recovery			\$ -
Over-sized Project Cost (including contingency)			\$ -
Over-sized PWE Cost Recovery			\$ -
Full Cost Obligation		100%	\$ -

Total Cash Call Due \$ 106,371.00

Surplus from Previous Cash Calls \$ -

CERTIFICATION PER § 3.7.5 IS INCLUDED ON THE FOLLOWING PAGE

ATTACHMENTS:
 CERTIFICATION PER § 3.7.5
 CALCULATION OF AMOUNT DUE

Cash Call Due #1

CASH CALL CERTIFICATION PER § 3.7.5

1. The dollar amount due from each Project Party pursuant to this Cash Call does not exceed the estimated dollar amount provided in the Notice of Upcoming Cash Call related to this Cash Call and is only for costs that have been approved pursuant to Article 6.
2. The calculation of the amount due shown on page 1 of this Cash Call is included on the next page of this document.
3. The Cash Call Due Date is 120 days after Second Supplement Effective Date.
4. The costs and work items to be paid with the proceeds of this Cash Call are as follows:

Ordinance 2012-121 Original Carollo Engineering Contract, First Amendment 2013-155
& Second Amendment 2014-160

- 1) Project Framework Development
- 2) NEWPP Treatment Concepts
- 3) Scenario & Delivery Alternative Development
- 4) Alternative Assessment
- 5) Project Controls
- 6) Project Delivery Alternatives Report

Ordinance 2014-962 - Carollo Engineering Contract

- 1) Perform raw water system planning and permitting assistance
- 2) Perform US Corp 404 and environmental permitting
- 3) Perform pilot operations
- 4) Perform Texas Commission on Environmental Quality coordination and reporting
- 5) Perform special testing and monitoring
- 6) Provide project administrative, permitting, communications and scheduling support
- 7) Conduct supporting and special studies as necessary to support project management decision-making

Ordinance 2014-1183 Legal Services Hawkins Delafield & Wood LLP

- 1) Project definition and plan
- 2) RFQ Preparation, Issuance and Evaluation
- 3) Preparation and Issuance of RFP and DRAFTY PDB Agreement
- 4) Proposal Development and Submittal
- 5) Proposal Evaluation
- 6) Negotiation and Award
- 7) Post-Execution and Establishment of Final Pricing

5. The City of Houston reasonably expects to spend all of the proceeds of the Cash Call within three (3) years of the Cash Call due date.

NOTE: Any surplus from previous Cash Calls is listed on the first page of this Cash Call.

Project Director

City of Houston
 Department of Public Works & Engineering
 Combined Utility System



NE Plant Expansion Project Tracking - Cash Call #1
Contracts

Appropriated & Authorized				
COH Ord No.	Date	Appropriated \$s	Contract	Cost Recovery
Remaining \$s from 3 Ordinances authorized and not spent	N/A	\$ 875,173	\$ 749,004	\$ 126,169
2012-0121, 2013-155 & 2014-0160				
2014-0962 Carollo Engineering	10/14/2014	\$ 5,500,000	\$ 5,000,000	\$ 500,000
2014-1183 Legal Services	12/16/2014	\$ 600,000	\$ 600,000	N/A
TOTAL		\$ 6,975,173	\$ 6,349,004	\$ 626,169

By Regional Authorities EXPANSION ONLY

Appropriation Allocation to Participants				
Participants	%	Appropriated \$s	Contract	Cost Recovery
TOTAL		\$ 6,975,173	\$ 6,349,004	\$ 626,169
NHCRWA	35.313%	\$ 2,463,108	\$ 2,241,992	\$ 221,116
CHCRWA	1.525%	\$ 106,371	\$ 96,822	\$ 9,549
NFBWA	21.406%	\$ 1,493,123	\$ 1,359,084	\$ 134,039
WHCRWA	25.756%	\$ 1,796,543	\$ 1,635,265	\$ 161,278
COH	16.000%	\$ 1,116,028	\$ 1,015,841	\$ 100,187
Total	100.000%	\$ 6,975,173	\$ 6,349,004	\$ 626,169

Project Description

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.): The primary purpose for the CHCRWA is to reduce groundwater withdrawals and meet the groundwater reduction requirements of the Harris-Galveston Subsidence District (HGSD) 1999 District Regulatory Plan, including the following:

- Achieve a 30 percent reduction of groundwater pumpage by June 2010
- Achieve a 60 percent reduction of groundwater pumpage by June 2025
- Achieve a 80 percent reduction of groundwater pumpage by June 2035

The 320 MGD expansion of the NEWPP, of which 4.88 MGD is for CHCRWA, is necessary to achieve the reduction in groundwater for 2025, 2035 and beyond, as mandated by the HGSD.

See City of Houston 2015 application for additional information.

Provide a detailed description of the proposed project. The description should include a discussion of the current service area, existing system facilities; and an adequate description of all proposed project elements (include a bulleted list of new project elements/components): The Northeast Water Purification Plant (NEWPP) is an 80 MGD facility located in northeast Harris County. The plant diverts water from nearby Lake Houston and treats it for use by the City of Houston (COH), North Harris County Regional Water Authority (NHCRWA), and Central Harris County Regional Water Authority (CHCRWA). The facility serves as the sole source of treated surface water for NHCRWA and CHCRWA, enabling them to meet the groundwater reduction requirements of the Harris-Galveston Subsidence District (HGSD). The NEWPP will continue to serve these users with treated surface water as their demands and conversion requirements increase over time. An increased level of conversion will be needed in order to allow the three current customers to meet their conversion requirement of 60 percent by 2025 and 80 percent by 2035. In addition, the West Harris County Regional Water Authority (WHCRWA) and North Fort Bend Water Authority (NFBWA) will rely on water from this plant in order to meet their 2035 conversion obligations. Meeting these future conversion targets will require the combined benefit of the individual authority Groundwater Reduction Plans (GRPs) and their associated infrastructure, the expanded NEWPP, and the Luce Bayou transfer project.

Water Made Available

New Supply: 5,470 (acre-feet/year)/\$25,628,810 (capital cost)

New Conservation Savings: 0 (acre-feet/year)/\$0 (capital cost)

New Reuse Supply: 0 (acre-feet/year)/\$0 (capital cost)

Maintenance of Current Supply: 0 (acre-feet/year)/\$0 (capital cost)

SWIFT

SWIFT Funding Type

Low Interest Loan: \$7585000.00

Is this request for multi-year funding or phased commitments?: Y

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.: Y

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.: Y

Bond Schedule – CHCRWA – Northeast Water Purification Plant Expansion		
Bond	Amount	Anticipated Closing Date
2018	\$1,000,000	11/30/2018
2019	\$6,585,000	11/30/2019

CERTIFICATE FOR
RESOLUTION AUTHORIZING ISSUANCE OF \$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS, SERIES 2017

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President
Julian F. Boddy, Vice President
David Granadino, Secretary
Tom Gower, Assistant Secretary
Richard C. Meek, Assistant Secretary

met in special session, open to the public, on October 11, 2017, at 13430 Northwest Freeway, Suite 700, Houston, Harris County, Texas, 77040, and all of the members of the Board were present, except Director Boddy, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

RESOLUTION AUTHORIZING ISSUANCE OF \$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS, SERIES 2017

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

AYES: 4

NOES: 0

2. 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; such Resolution has been duly recorded in the Board's minutes of such meeting; 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 such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 11th day of October, 2017.

David Grandeur
Secretary, Board of Directors



RESOLUTION AUTHORIZING ISSUANCE OF
\$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS
SERIES 2017

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EXHIBIT "A" - FORM OF BOND

RESOLUTION AUTHORIZING ISSUANCE OF
\$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS
SERIES 2017

* * *

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS
COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (such act being hereinafter referred to as the "Act").

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to 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 rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); 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; 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 the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State of Texas, to issue its negotiable revenue bonds, as hereinafter provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the Member Districts of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and provisions for security and repayment thereof, hereinafter set forth in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth in this Resolution;
- (d) the issuance by the Authority of such bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part;
- (e) the Authority has heretofore issued its Revenue Bonds, Series 2008, in the original aggregate principal amount of \$22,050,000 (the "Series 2008 Bonds"), its Revenue Bonds, Series 2015, in the original aggregate principal amount of \$10,805,000 (the "Series 2015 Bonds"), and its Revenue Bonds, Series 2016, in the original aggregate principal amount of \$9,270,000 (the "Series 2016 Bonds"); and
- (f) as of the date hereof, there remains outstanding \$14,285,000 in aggregate principal amount of the Series 2008 Bonds, \$10,535,000 in aggregate principal amount of the Series 2015 Bonds, and \$9,270,000 in aggregate principal amount of the Series 2016 Bonds (collectively, the "Outstanding Bonds").

(End of Article One)

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein (except those set forth in EXHIBIT "A"), shall apply with equal force herein and in any amendment or supplement hereto:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge of and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds and the Outstanding Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, governmental body or governmental agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended, provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$26,550,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2017, initially dated as of November 1, 2017, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and between the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as amended and supplemented in that certain First Supplement to the Water Supply Contract, dated January 30, 2009, by and between the Authority and the City of Houston, as amended in that certain First Amendment to the First Supplement, dated January 22, 2013, by and between the Authority and the City of Houston, as amended and supplemented in that certain Second Supplement to the Water Supply Contract, dated February 25, 2015, by and between the Authority and the City of Houston, as amended and supplemented in that certain Third Supplement to the Water Supply Contract, dated November 10, 2015, by and between the Authority and the City of Houston, as amended and supplemented in that certain Fourth Supplement to the Water Supply Contract, dated November 10, 2015, by and between the Authority and the City of Houston, and as may be further amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund described and referred to in Section 7.01(b) hereof and used and administered pursuant to Sections 7.07 and Section 7.08 hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund described and referred to in Section 7.01(c) hereof and used and administered pursuant to Section 7.04 hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof and used and administered pursuant to Section 7.05 hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB, as printed, stamped, or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the SWIRFT (as hereinafter defined) account administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and ZB, National Association, dba Amegy Bank, Houston, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of certain of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by law or by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund described and referred to in Section 7.01(a) hereof and used and administered pursuant to Section 7.03 hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contributions from any federal, state or local governmental agency or authority, or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement to capital expenditures of or for the System; (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority; or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder or Holders.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.02 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District or Member Districts.

The term "Member District" or "Member Districts" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Amended and Restated Joint Facilities Agreement, dated November 6, 2013, by and between the Authority and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Authority, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, lease, option, reservation, conveyance, treatment, or supply of water which are deemed necessary by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to, payments under the City of Houston Contract, and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other general and administrative expenses of the Authority.

Outstanding Bonds.

The term "Outstanding Bonds" is defined in Section 1.04(f) hereof.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.05 of this Resolution.

Person.

Except as said term is otherwise specifically defined for purposes of Section 8.04 thereof, the term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority, including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance, condemnation and/or sale proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Project.

The term "Project" shall mean all works, plants, facilities, improvements, equipment, appliances, property or interests in property, and contract rights or other rights for the second phase expansion of the System, and all additions, modifications, reconstruction, repairs or extensions of the System in connection therewith, including (a) the purchase of certain rights to capacity in the

City of Houston's expansion of its Northeast Water Purification Plant constructed or to be constructed by the City of Houston, Texas under the City of Houston Contract (i.e., TWDB Project 51023); and (b) the purchase of certain rights to capacity in transmission facilities constructed or to be constructed by the North Harris County Regional Water Authority (i.e., TWDB Project 51009), all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts in accordance with the requirements of the Subsidence District's requirements for Area Three as defined by the Subsidence District's 2013 Regulatory Plan.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; all other costs and expenses directly relating to the foregoing, together with reasonable contingencies related to the foregoing; and the deposit to the Debt Service Fund, as provided under Section 8.01 hereof.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District); or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.04 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds, the Outstanding Bonds, and any Additional Bonds remaining outstanding at the time of such computation; provided, the average annual sum shall be calculated based only upon the number of whole or partial Fiscal Years in which such principal and interest are actually scheduled to become due.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Series 2008 Bonds.

The term "Series 2008 Bonds" is defined in Section 1.04(e) hereof.

Series 2015 Bonds.

The term "Series 2015 Bonds" is defined in Section 1.04(e) hereof.

Series 2016 Bonds.

The term "Series 2016 Bonds" is defined in Section 1.04(e) hereof.

Series 2008 Resolution.

The term "Series 2008 Resolution" shall mean the resolution of the Board of Directors of the Authority adopted on June 11, 2008, authorizing the issuance of the Series 2008 Bonds, and all amendments and supplements thereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for treated surface water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on revenues other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund described and referred to in Section 7.01(e) hereof and used and administered pursuant to Section 7.06 hereof.

System.

The term "System" shall mean all works, plants, facilities, improvements, equipment, appliances, property or interests in property, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights in and to certain capital improvements and/or capacity therein under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

SWIRFT.

The term "SWIRFT" shall mean the State Water Implementation Revenue Fund for Texas.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the SWIRFT and, where appropriate, means the

Executive Administrator, Fund Manager, or other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution 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 Resolution 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 Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Resolution is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREE

AUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2017", shall be issued in the aggregate principal amount of \$26,550,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act.

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, and shall be initially dated as of November 1, 2017. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond, and shall be completed with the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof. Each such Bond shall be dated as of November 1, 2017, shall include thereon the Delivery Date, and shall include in the certificate of registration the date of its authentication by the Registrar.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. The Bonds shall bear interest at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

[SCHEDULE COMMENCES ON FOLLOWING PAGE]

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
\$ 665,000	2019	0.760%
\$ 670,000	2020	0.840%
\$ 675,000	2021	0.940%
\$ 685,000	2022	1.080%
\$ 695,000	2023	1.210%
\$ 705,000	2024	1.320%
\$ 720,000	2025	1.450%
\$ 730,000	2026	1.550%
\$ 745,000	2027	1.640%
\$ 760,000	2028	1.820%
\$ 780,000	2029	2.020%
\$ 800,000	2030	2.200%
\$ 820,000	2031	2.380%
\$ 840,000	2032	2.480%
\$ 865,000	2033	2.560%
\$ 890,000	2034	2.620%
\$ 920,000	2035	2.670%
\$ 945,000	2036	2.720%
\$ 975,000	2037	2.750%
\$1,005,000	2038	2.800%
\$1,040,000	2039	2.930%
\$1,070,000	2040	2.950%
\$1,105,000	2041	2.950%
\$1,140,000	2042	2.950%
\$1,180,000	2043	3.030%
\$1,220,000	2044	3.030%
\$1,260,000	2045	3.020%
\$1,300,000	2046	3.020%
\$1,345,000	2047	3.020%

SECTION 3.04: DATES, MANNER, AND PLACE OF PAYMENT. Interest on the Bonds shall accrue from the later of the Delivery Date or the most recent Interest Payment Date to which interest has been paid or duly provided for, and shall be payable semi-annually on February 1 and August 1 of each year until the earlier of the Maturity Date or the optional Redemption Date, commencing on February 1, 2018. The amount of interest on the Bonds payable on each Interest Payment Date, Maturity Date or Redemption Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date Maturity Date, or Redemption Date, the Paying Agent shall compute the amount of interest to be

due and payable on such date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such date.

The payment of interest on the Bonds, except interest payment due on any Maturity Date or Redemption Date, shall be payable, (a) at the option and expense of the Authority by (i) check or draft mailed by the Paying Agent to the Holder, at the address shown on the Register, or (ii) wire transfer to the Holder; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of the Holder. The interest so payable will be paid to the Person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

The principal of the Bonds, together with accrued interest since the most recent Interest Payment Date, shall be payable only upon their presentation and surrender, on their respective Maturity Dates or on an earlier optional Redemption Date, at the principal trust office of the Paying Agent.

If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.05: MEDIUM OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates, Maturity Dates or Redemption Dates, is legal tender for the payment of debts due the United States of America.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, such Bonds, nevertheless, may be authenticated and delivered as though the Person who signed such Bonds had not ceased to be such officer of the Authority, and any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not affect the validity or enforceability of such Bond, if same has been duly registered by the Comptroller of Public Accounts of the State of Texas or authenticated by the Registrar, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each Maturity Date in Section 3.03 hereof, representing the entire principal amount of Bonds scheduled to mature on each such Maturity Date. The Initial Bonds shall be made payable to Cede & Co., as nominee for DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar, completed with the Delivery Date and registered on the Register in the name of Cede & Co., as nominee of DTC, by the Registrar, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB of the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder(s) may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bond(s) to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bond(s) are to be transferred and the Maturity Date(s) and principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Initial Bond a certificate of registration substantially in the form provided in Section 5.02 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond a Certificate of Registrar substantially in the form provided in Section 5.03 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Such Certificate of Registrar upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been duly authenticated, registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes, whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effective for all purposes and shall

discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain at its designated office a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer and exchange of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the office designated by the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name of the transferee or transferees one or more exchange Bonds of the same Maturity Date as the Bond so presented, in a like aggregate principal amount and of like interest rate as the Bond so presented, and shall deliver or mail same to the transferee or transferees by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the office designated by the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, in any authorized denomination which is an integral multiple of \$5,000, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate, register and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each exchange Bond duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond (a) on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, (b) during any period beginning fifteen (15) calendar days prior to, and ending on the day of the mailing of, notice to the Holders of a redemption of the Bonds pursuant to Article Four hereof, or (c) to the extent that such Bond has been selected for redemption, in whole or in part, pursuant to Article Four hereof when the Redemption Date in respect of such Bond is less than thirty (30) days prior to the actual presentation and surrender thereof for transfer or exchange.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall

authenticate, register and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is apparently lost, destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate, register and deliver, a replacement Bond of like tenor and effect, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated or apparently lost, destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. The Initial Bonds shall be registered in the name of Cede & Co., as nominee of DTC, pursuant to Section 3.07 hereof. Except as provided in Section 3.12 hereof, all transfer, exchange or replacement Bonds delivered subsequent to the Initial Bonds pursuant to the terms and provisions of this Resolution shall be likewise registered in the name of Cede & Co. or the then-designated nominee of DTC. Accordingly, the provisions of the Letter of Representation and DTC's Operational Arrangements, as incorporated

by the Letter of Representation, shall control to the extent of any conflict with the provisions of this Resolution and for so long as the Bonds are registered in DTC's book-entry only system.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Resolution. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and shall cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, and receipt of proper proof of the beneficial ownerships of the DTC Participants and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the

Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Holders transferring or exchanging Bonds shall designate, in accordance with such transfer or exchange instructions and the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Sections 3.09, 3.10, 3.11 or 3.12 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and/or Registrar and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of cancellation and/or destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOUR

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2028, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on February 1, 2028, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus-unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same Maturity Date are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal amount of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate, register and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.03: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions within a maturity, the respective principal amounts of the Bonds to be redeemed in each maturity, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.04: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds, or the portions thereof so called for redemption, shall be terminated.

(End of Article Four)

ARTICLE FIVE

FORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Resolution shall be in substantially the form specified in EXHIBIT "A" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Resolution.

SECTION 5.02: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in EXHIBIT "A" attached hereto.

SECTION 5.03: CERTIFICATE OF REGISTRAR. The following form of Certificate of Registrar shall be printed on the face of or attached to each of the Bonds authenticated and delivered subsequent to the Initial Bonds:

CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Bonds issued under the provisions of the within-mentioned Resolution, and it is hereby further certified that this Bond has been authenticated, registered and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

_____, Registrar

Dated: _____

By: _____
Authorized Signature

[END OF FORM]

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in EXHIBIT "A" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be, but is not required to be, printed on or attached to the Initial Bonds and any exchange Bonds and certified by the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Resolution. An original of such opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIX

SECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of the Outstanding Bonds and any Additional Bonds. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds, the Outstanding Bonds, and any Additional Bonds have been paid in full, as to both principal and interest, at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project Bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (a) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project; (b) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds, the Outstanding Bonds, and any Additional Bonds, when and as the same shall become due and payable; (c) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds, the Outstanding Bonds, and any Additional Bonds, when and as the same shall become due and payable; and (d) fulfill the terms, agreements and covenants made with the Holders of the Bonds, the Outstanding Bonds, and any Additional Bonds-and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds, the Outstanding Bonds, and any Additional Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds, the Outstanding Bonds, and any Additional Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties, in similar locations, under similar circumstances, with a responsible insurance company or companies against risks, accidents or casualties against, and in an amount which is customarily carried by, such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance with respect to such portion of the Project. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the Project or any portion of the Project, the Authority covenants that to the extent feasible and practicable, it will apply any proceeds of such insurance policies covering such loss or damage to the reconstruction or repair of the Project or such portion of the Project, and any excess insurance proceeds remaining after the completion of such improvements shall first be deposited into the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority. If it is not feasible or practicable for such improvements to be reconstructed or repaired, such insurance proceeds shall first be deposited into the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority.

To the extent that the Project or any portion of the Project shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for such taking, upon receipt by the Authority, shall first be deposited to the credit of the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVEN

REVENUES AND APPLICATION THEREOF

SECTION 7.01: CONFIRMATION OF FUNDS. The creation, establishment and use of the following funds pursuant to the Series 2008 Resolution is hereby adopted and confirmed as a part hereof, as if set forth in full herein, and same shall continue in force and effect so long as this Resolution remains in effect:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided herein. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds, the Outstanding Bonds, and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority, as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority identified in Section 7.01 hereof, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds, the Outstanding Bonds, or any Additional Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds, the Outstanding Bonds, and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds, the Outstanding Bonds, or any Additional Bonds remain outstanding, and after making the deposits required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues, an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount.

If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds, the Outstanding Bonds, and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds, the Outstanding Bonds, or any Additional Bonds to mature or to be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove (and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, the Outstanding Bonds, and any Additional Bonds), may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall

not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund or any earnings thereon constitute Pledged Revenues or be, remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.01 and Section 8.02 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that a final accounting of Eligible Project Costs shall be provided to the TWDB. If the Project shall be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, such excess and unused proceeds on deposit in the Construction Fund and the Escrow Fund shall be used for the following purposes as and if approved by the Executive Administrator of the TWDB in writing (a) deposit into the Debt Service Fund or other interest and sinking fund created for the payment of the interest on and principal of any of the Authority's bonds, notes or other obligations earned or held by the TWDB; or (b) payment of other eligible costs for the Project or the System as approved by the Executive Administrator of the TWDB. In determining the amount of available funds for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were

initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHT

APPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: DEPOSIT TO DEBT SERVICE FUND AND DEBT SERVICE RESERVE FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$1,266,492.00 representing twenty-four (24) months of capitalized interest on the Bonds, shall be deposited into the Debt Service Fund. Proceeds from the sale and delivery of the Bonds in the amount of \$1,165,297.00 shall be deposited into the Debt Service Reserve Fund. The remaining proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds, as and if approved by the TWDB prior to the Delivery Date and in such amounts as approved by the TWDB, representing Eligible Project Costs, shall be deposited into the Construction Fund on the Delivery Date. Proceeds from the sale and delivery of the Bonds, as and if approved by the TWDB prior to the Delivery Date and in such amounts as approved by the TWDB, representing the estimated costs of issuance of the Bonds, shall also be deposited into the Construction Fund on the Delivery Date. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds as provided in Section 7.08 hereof.

SECTION 8.03: DEPOSIT TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.04: TAX COVENANTS. For purposes of this Section 8.04 only, the term "Net Proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "Person" includes any individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to Persons other than natural persons, means any activity other than an activity carried on by a governmental unit.

The Authority covenants that it shall make such use of the Net Proceeds of the Bonds, regulate investments thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to assure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

- (a) The Authority will not use the proceeds of the Bonds, directly or indirectly, in a manner that would cause the Bonds or any portion thereof to be a "private activity bond", within the meaning of Section 141 of the Code and the Regulations;

- (b) The Authority has not permitted and will not permit more than ten percent (10%) of the Net Proceeds of the Bonds to be used in the trade or business of any Person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds");
- (c) The Authority has not permitted and will not permit more than five percent (5%) of the Net Proceeds of the Bonds to be used in the trade or business of any Person, other than a governmental unit, if such use is unrelated to the governmental purpose of the Bonds; and further, the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the Net Proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;
- (d) The principal of and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;
- (e) The Authority has not permitted and will not permit an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the Net Proceeds of the Bonds to be used, directly or indirectly, to finance loans to Persons other than governmental units;
- (f) The Authority will not use the proceeds of the Bonds in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond", within the meaning of Section 148 of the Code or otherwise in any manner which would cause the Bonds to violate the provisions of Section 149(d) of the Code;
- (g) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the payment of the Bonds, other than amounts not subject to yield restriction because of their deposit in a reasonable required reserve and replacement fund (such as the Debt Service Reserve Fund) or a bona fide debt service fund (such as the Debt Service Fund), and will restrict the yield on such investments to the extent required by the Code or the Regulations; further, without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on (i) all Net Proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund, Debt Service Reserve Fund, Construction Fund, and Escrow Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion), and (ii) all investment earnings on hand on a date that is three (3) years from the date of delivery of the Bonds or one (1) year from the date such investment proceeds are received, whichever is later, to a yield which is not materially higher than the yield on the bonds issued by the TWDB to purchase the Bonds (in both cases calculated in accordance with the Code and the Regulations);

- (h) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations within the meaning of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code);
- (i) To the extent applicable and required by the Code and the Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate not less often than required by applicable federal law and the Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than required by applicable federal law and the Regulations, all amounts required to be rebated to the federal government; and 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 Bonds that might result in a smaller profit or larger loss than would have resulted if the arrangement has been at arm's length and had the yield on the issue not been relevant to either party; and
- (j) The Authority will timely file a statement with the federal government setting forth the information required pursuant to Section 149(e) of the Code.

For purposes of the foregoing (a) and (b), the Authority understands that the term "Net Proceeds" includes "disposition proceeds", as defined in the Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Authority that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the United States Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Authority will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Authority agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In furtherance of such intention, the Authority hereby authorizes and directs the President or Vice President of the Board of Directors of the Authority to execute

any documents, certificates or reports required by the Code and to make such elections, on behalf of the Authority, which may be permitted by the Code and are consistent with the purposes for the issuance of the Bonds. Furthermore, all officers, employees and agents of the Authority are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Authority as of the date the Initial Bonds are delivered and paid for, and any such certifications may be relied upon by Bond Counsel, by the Holders of the Bonds, and by any Person interested in the exclusion of interest on the Bonds from gross income for federal income tax purposes. Moreover, the Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of proceeds thereof, and take such other and further actions as may be required to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

SECTION 8.05: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS. The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2017, including the Bonds, will exceed \$10,000,000.

For purposes of this Section 8.05, the term "tax-exempt obligation" does not include "specified private activity bonds" within the meaning of Section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. In addition, for purposes of this Section 8.05, the Authority includes all governmental units of which the Authority is a "subordinate entity" and governmental units which are "subordinate entities" of the Authority, within the meaning of Section 265(b)(3)(E) of the Code.

SECTION 8.06: ALLOCATION OF EXPENDITURES; LIMITATIONS. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within eighteen (18) months of the later of the date that (a) the expenditure is made, or (b) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall make such allocation in any event by the date that is sixty (60) days after the earlier of (a) the fifth anniversary of the delivery of the Bonds, or (b) the date the Bonds are retired. For purposes of determining compliance with this covenant, the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the Authority will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. The Authority will maintain records and documentation regarding the allocation of expenditures to proceeds of the Bonds and the investment of gross proceeds of the Bonds for at least six years after the close of the final calendar year during which any Bond is outstanding.

SECTION 8.07: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project, to the extent purchased, constructed or otherwise acquired with the proceeds of the Bonds, will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the

Authority will not adversely affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINE

AMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (a) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or;
- (b) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, unless expressly authorized by the Resolution, no change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of

the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority reserves the right to issue bonds or other obligations in any manner permitted by law to refund or defease the Bonds, the Outstanding Bonds, or any Additional Revenue Bonds at or prior to their respective dates of maturity or redemption.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TEN

BONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect such Pumpage Fees and Service Fees as may be ample and sufficient to provide for full and timely payment of the Bonds, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVEN

CONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12 and any regulations promulgated thereunder, all as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "Significant Participant" means and includes any Participant, other than the Authority, which has paid or is obligated to pay Pumpage Fees, Service Fees, or other charges or revenues to the Authority aggregating at least twenty percent (20%) of the Gross Revenues of the Authority, as reflected by the most recently completed annual audit of the Authority commissioned pursuant to Section 12.12 hereof.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six (6) months after the end of each Fiscal Year, financial information and operating data with respect to the Authority and each Significant Participant, but only if, as, when and to the extent actually received by the Authority, of the general type included in the Authority's application to the TWDB for financial assistance prepared in connection with the Bonds. Any financial statements to be so provided shall be (a) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality, the TWDB and/or any successor agency, or such other accounting principles as the Authority may be required to employ from time to time pursuant to applicable law or regulatory requirement, and (b) audited, if the Authority and/or a Significant Participant commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide such audited financial statements for the applicable Fiscal Year to the MSRB when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify the MSRB 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 Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02

may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. The Authority shall notify the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein. All documents provided to the MSRB pursuant to this Section 11.02 shall be accompanied by such identifying information as may be prescribed by the MSRB.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) Business Days after occurrence, of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material within the meaning of the federal securities laws;
- (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, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds, if material within the meaning of the federal securities laws;
- (h) Calls for redemption of the Bonds, if material within the meaning of the federal securities laws, and tender offers;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event(s) of the Authority or a Significant Participant;
- (m) The consummation of a merger, consolidation, or acquisition involving the Authority or other Significant Participant or the sale of all or substantially all of the assets comprising the Project or the sale of all or substantially all of the assets of a

Significant Participant, 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 action, other than pursuant to its terms, if material within the meaning of the federal securities laws; and

- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS. (a) 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 Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be regarded as outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners of the Bonds, within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon 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, conditions or prospects of the Authority or any Significant Participant, nor does the Authority 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 to sell Bonds at any future date.

(c) UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR IN 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 IN TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH, SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE AUTHORITY AGREES TO USE REASONABLE DILIGENCE TO OBTAIN FROM EACH SIGNIFICANT PARTICIPANT THE INFORMATION IT HAS AGREED HEREIN TO PROVIDE; PROVIDED, HOWEVER, THE AUTHORITY SHALL, IN ITS SOLE DISCRETION, DETERMINE WHETHER TO INSTITUTE OR PURSUE LEGAL OR ADMINISTRATIVE PROCEEDINGS TO COMPEL THE FURNISHING OF ANY REQUIRED INFORMATION TO THE AUTHORITY.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Should the Rule be amended to obligate the Authority to make filings with or provide notices to entities other than the MSRB, the Authority hereby agrees to undertake such obligations with respect to the Bonds in accordance with the Rule as amended.

(g) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority or any Significant Participant, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding 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 Holders of the Bonds and any beneficial owners of the Bonds, within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule, or if any 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 any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority 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.

(End of Article Eleven)

ARTICLE TWELVE

MISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS.

The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH TWDB REQUIREMENTS. (a) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the Authority shall (i) develop, implement and maintain a water conservation program relative to the System which is consistent with applicable rules, regulations and requirements of the TWDB and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB, and (iii) comply with any and all provisions specified and contained in Resolution Nos. 15-078 and 17-081 approved by the TWDB in connection with the issuance of the Bonds, and (iv) comply with and abide by all other applicable rules, regulations and requirements of the TWDB relative to the Project.

(b) The Authority covenants and agrees that proceeds from the sale of the Bonds shall never be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site(s), and, to the extent permitted by law, agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport and/or removal 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 the Project.

(c) The Authority covenants and agrees to report to the TWDB the use of proceeds of the Bonds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with Section 363.42(c)(1) of Title 31, Texas Administrative Code, as amended.

(d) The Authority covenants and agrees that neither the Authority nor a party related to the Authority will acquire any tax-exempt bonds, notes or other obligations of the TWDB, the proceeds of which were used by the TWDB to acquire the Bonds from the Authority, in an amount related to the amount of the Bonds acquired or to be acquired from the Authority by the TWDB.

(e) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the Authority shall provide the TWDB with written notice thirty days prior to (i) the proposed passage and adoption of an amendment to this Resolution without obtaining the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding, to the extent authorized under Section 9.01 hereof, or (ii) the proposed issuance of any Additional Bonds by the Authority.

(f) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the TWDB may exercise all remedies available to it in law or equity and any provisions hereof that restricts or limits the TWDB's full exercise of such remedies, including but not limited to the provisions of Section 10.01 hereof, shall be of no force or effect.

(g) That certain Private Placement Memorandum, of even date herewith, relating to the sale, issuance and delivery of the Bonds to the TWDB is hereby approved and authorized to be delivered to the TWDB on the Delivery Date.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: REGISTRAR. The initial Registrar in respect of the Bonds shall be ZB, National Association, dba Amegy Bank, Houston, Texas. The Authority will maintain at least one (1) Registrar in the State of Texas where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to approve, execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as she or he may deem necessary and appropriate.

SECTION 12.05: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be ZB, National Association, dba Amegy Bank, Houston, Texas. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent and Registrar services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain in the State of Texas at least one (1) Paying Agent, who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which a combined capital and surplus of at least \$25,000,000, and is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to

change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to approve, execute and deliver, for and on behalf of the Authority an agreement for Paying Agent services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as he or she may deem necessary and appropriate.

SECTION 12.06: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligations to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, §1207.001 et seq., Texas Government Code, as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders or beneficial owners of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders or beneficial owners of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent

jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants in compliance with generally acceptable accounting practices, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Resolution and other documentation required in connection herewith and with the issuance of the Bonds.

SECTION 12.16: ISSUANCE OF BONDS UNDER CERTAIN TERMS AND CONDITIONS. The Bonds shall be issued upon and subject to the further terms and conditions contained in the Series 2008 Resolution, which shall apply with equal force to the Bonds as if set forth fully herein; provided, however, that where the provisions of the Series 2008 Resolution are inconsistent or in conflict with the terms and provisions of this Resolution, the terms and provisions of this Resolution shall govern.

(End of Article Twelve)

ARTICLE THIRTEEN

SALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds. It is hereby further found and declared that the terms of the sale of the Bonds are in the Authority's best interests.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following such approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEEN

OPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time, on October 11, 2017, and that a sufficient written notice of the date, hour, place and subject of such meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was duly and timely posted and/or furnished for posting to the County Clerk of Harris County, Texas, for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Chapter 49, Texas Water Code, as amended, and that such meeting was open to the public, as required by law, at all times during which this Resolution and the subject matter hereof was discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage and adoption.

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PASSED AND ADOPTED this 11th day of October, 2017.

/s/ Margaret L. Cox

President, Board of Directors

ATTEST:

/s/ David Granadino

Secretary, Board of Directors

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF BOND)

REGISTERED NUMBER IR-__ ¹	UNITED STATES OF AMERICA STATE OF TEXAS	REGISTERED AMOUNT \$_____
--	--	---------------------------------

\$26,550,000
CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY
REVENUE BOND
SERIES 2017

Interest Rate:	Maturity Date:	Initial Date:	Delivery Date:	CUSIP No.:
_____%	August 1, ____	November 1, 2017	_____	_____

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

_____ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the Delivery Date specified above, or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable on February 1, 2018, and semi-annually thereafter on August 1 and February 1 (each an "Interest Payment Date") of each year until the maturity or optional redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on October 11, 2017 (the "Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal and interest payments in respect of this

¹ For any Bond registered and delivered by The Registrar in exchange for an Initial Bond, substitute "R" for "IR".

Bond shall be payable in any coin or 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. Principal of and interest on this Bond due at maturity or upon prior optional redemption shall be payable, upon presentation and surrender of this Bond, at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Except at maturity, interest payments in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer from the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be ZB, National Association, dba Amegy Bank, Houston, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating TWENTY-SIX MILLION FIVE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$26,550,000.00) in principal amount, issued for the purpose or purposes of paying or making provision for the payment of Project Costs, as defined in the Resolution and the costs of issuance, sale and delivery of the Bonds, pursuant to the Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT, AT ITS OPTION, TO REDEEM the Bonds of this issue maturing on or after August 1, 2028, prior to their scheduled maturities, in whole or, from time to time, in part, in inverse order of their stated maturities on February 1, 2028, or on any date thereafter, at a price equal to the principal amount to be redeemed, plus accrued interest thereon to the date fixed for redemption. Under certain circumstances described in the Bond Resolution, the Bonds may be subject to mandatory redemption, in whole or in part, in inverse order of their stated maturities. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, if different than the Registrar, in writing, of the Bonds selected

for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2017.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain groundwater users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Resolution; proceeds received from any insurance settlement, condemnation award, or sale of properties comprising a part of the Project, as described in the Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Resolution. Neither the State of Texas nor any

other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as, hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Resolution, this Bond shall not be entitled to the benefit and security of the Resolution nor be valid or obligatory for any purpose.²

² For any exchange Bond, delete the foregoing paragraph in its entirety and substitute the following paragraph:

"UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Registrar has been manually executed by the authorized representative of the Registrar, as provided in the Resolution, this Bond shall not be entitled to the benefit and security of the Resolution nor be valid or obligatory for any purpose."

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

(SEAL)

CERTIFICATE OF REGISTRATION³

OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the Central Harris County Regional Water Authority, and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,

_____.

Comptroller of Public Accounts
of the State of Texas

³ For any exchange Bond, the form of Certificate of Registrar set forth in Section 5.03 of the Resolution shall be substituted for the Comptroller's Certificate of Registration.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number): _____

the within Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Registered Owner

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

(Bank, Trust Company, or
Brokerage Firm)

By: _____
(Authorized Representative)

PRIVATE PLACEMENT MEMORANDUM DATED OCTOBER 11, 2017

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

\$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS,
SERIES 2017 (the "Bonds")

Dated: November 1, 2017

Due: August 1, as set forth in Appendix A

- Interest Date:** Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 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 term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a business day.
- Date Interest Accrues:** Interest on the Bonds initially accrues from the Delivery Date (hereinafter defined), and thereafter, from the most recent Interest Payment Date. The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.
- 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:** The initial paying agent and registrar for the Bonds is ZB, National Association, dba Amegy Bank ("Paying Agent/Registrar").
- Book-Entry-Only System** Upon initial issuance, the ownership of the Bonds will be registered on 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 Houston, Texas as the same become due and payable.
- Issuer:** The Central Harris County Regional Water Authority (the "Authority"), a conservation and reclamation district, is a body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Authority Act").
- Official Action:** The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas including, the Authority Act, and that certain RESOLUTION AUTHORIZING ISSUANCE OF \$26,550,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2017, passed and adopted by the Board of Directors of the Authority on October 11, 2017 (the "Bond Resolution").

Purpose: See "APPENDIX B – BOND RESOLUTION."
Security for the Bonds: See "APPENDIX B – BOND RESOLUTION."
Ratings: See "OTHER INFORMATION - Ratings"
Delivery Date: November 15, 2017 or the actual date of delivery of the Bonds to the initial purchaser thereof.

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, and Initial CUSIP Numbers

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Board of Directors

Name	Office	Term Expires
Margaret L. Cox	President	May 2018
Julian F. Boddy	Vice President	May 2020
David Granadino	Secretary	May 2020
Richard C. Meek	Assistant Secretary	May 2018
Tom Gower	Assistant Secretary	May 2018

ZB, National Association, dba Amegy Bank, Paying Agent/Registrar

Consultants to the Authority

The consultants listed below are relevant to the sale of the Bonds but are not exhaustive of all Authority consultants.

Bond Counsel – Schwartz, Page & Harding, L.L.P., Houston, Texas, serves as Bond Counsel to the Authority, and also represents the Authority on certain other matters of a general legal nature. The fees for Bond Counsel for bond-related services are contingent on the issuance, sale and delivery of the Bonds.

Disclosure Counsel – McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the Authority. The fees for Disclosure Counsel relative to the proposed issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor – The Authority has employed the firm of The GMS Group, L.L.C. (“Financial Advisor”) as financial advisor to the Authority. Payment to the Financial Advisor by the Authority is contingent upon the issuance, sale and delivery of the Bonds.

Auditing – The firm BKD, LLP, Certified Public Accountants, prepared the annual audit for the Authority for the fiscal year ended December 31, 2016.

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**Private Placement Memorandum
relating to**

\$26,550,000

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
(A political subdivision of the State of Texas)
REVENUE BONDS
SERIES 2017**

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 above-captioned bonds (the "Bonds") pursuant to the RESOLUTION AUTHORIZING ISSUANCE OF \$26,550,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2017, passed and adopted by the Board of Directors of the Authority on October 11, 2017 (the "Bond Resolution"). 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 Bond Resolution. See "APPENDIX B – "BOND RESOLUTION" attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Bond Resolution which contains 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 – MATURITY SCHEDULE" attached to this Private Placement Memorandum. The Bonds mature, and principal in respect of the Bonds is payable, on August 1 of each of the years and in the amounts shown in "APPENDIX A – MATURITY SCHEDULE" attached hereto. Interest on the Bonds will be payable on February 1 and August 1 each year, commencing February 1, 2018 (each an "Interest Payment Date"). The Bonds will have a stated dated date, however, interest on the Bonds initially accrues from the date of delivery of the Bonds to the initial purchaser thereof (the "Delivery Date"), and thereafter, from the most recent Interest Payment Date. The Bonds will bear interest at the rates per annum set forth in "APPENDIX A – MATURITY SCHEDULE" attached hereto. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

The Bonds are issued in fully registered form only in denominations of \$5,000, or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Purpose

See "APPENDIX B – BOND RESOLUTION."

Authority for Issuance

The Bonds are issued pursuant to the general laws and the Constitution of the State of Texas, the Authority Act, and the Bond Resolution.

Security for the Bonds

The Bonds are secured by a pledge of and lien on the Pledged Revenues derived from the Net Revenues of the System, all as described in the Bond Resolution. See "APPENDIX B – BOND RESOLUTION."

Redemption Provisions

The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on February 1, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for the redemption (the "Redemption Date").

Under certain circumstances described in the Bond Resolution, the Bonds may also be subject to mandatory redemption.

By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the 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 Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

See "APPENDIX B – BOND RESOLUTION."

Notice of Redemption; Selection of Bonds to Be Redeemed

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the Authority in accordance with the Bond Resolution. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of redemption shall be given by the Paying Agent/Registrar in the manner specified in the Bond Resolution. See "APPENDIX B – BOND RESOLUTION."

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 - "BOND RESOLUTION."

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.

Settlement of Purchase of the Bonds

The Board and the Issuer intend for the delivery of the Bonds to be facilitated through the book-entry-only system of DTC. See "THE BONDS - Book-Entry-Only System". In connection with the delivery of the Bonds, a settlement agent may be used to effect the delivery of the Bonds. If such a settlement agent is used, such settlement agent (i) is being used solely to facilitate book-entry delivery of the Bonds, (ii) will be acting solely as a "Clearing DTC Participant" and not as an "underwriter" (each as defined in Section 2(a)(1) of the U.S. Securities Act of 1933, as amended, (iii) is not acting as a fiduciary or municipal advisor to the Board or the Issuer with regard to the Bonds and, accordingly, has no fiduciary duty to either the Board or the Issuer under Federal or state securities laws, and therefore is not required by federal or state law to act in the best interests of the Board or the Issuer, (iv) in providing information to either the Board or the Issuer, is not providing "advice" with the meaning of Section 15B of the Securities Exchange Act of 1934, as amended, and that the information provided has not been relied on by either the Board or the Issuer in the issuance of the Bonds and (v) has not provided any legal, accounting, regulatory or tax advice to the Issuer.

TAX MATTERS

Tax Exemption

On the Delivery Date, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the Authority, including information and representations contained in the Authority's federal tax certificate issued in connection with the Bonds, and (b) covenants of the Authority contained in the Bond Resolution relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the Authority to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

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."

Not Qualified Tax-Exempt Obligations

The Bonds are not designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

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

With the delivery of the Bonds, the President or Vice President of the Board will, on behalf of the Authority, execute and deliver to the initial purchaser a certificate dated as of the Delivery Date, to the effect that, except as disclosed herein, no litigation of any nature of which the Authority has notice is pending against or, to the knowledge of the Authority's certifying officer, threatened against the Authority, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the Authority or the title of the then present officers and directors of the Board.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the Issuer has made the agreement set forth in the Bond Resolution 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 - "BOND RESOLUTION."

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 SEC Rule 15c2-12.

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 as referred to herein to the Texas Water Development Board on the Delivery Date 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 Bond Resolution 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.

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APPENDIX A
MATURITY SCHEDULE

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
Series 2017 Revenue Bonds to be Issued to the TWDB
Maturities, Principal Amounts, Interest Rates, and CUSIP Numbers

Maturity	Principal Amount	Interest Rate	CUSIP Number
08/01/2019	\$665,000	0.76%	153571DG6
08/01/2020	\$670,000	0.84%	153571DH4
08/01/2021	\$675,000	0.94%	153571DJ0
08/01/2022	\$685,000	1.08%	153571DK7
08/01/2023	\$695,000	1.21%	153571DL5
08/01/2024	\$705,000	1.32%	153571DM3
08/01/2025	\$720,000	1.45%	153571DN1
08/01/2026	\$730,000	1.55%	153571DP6
08/01/2027	\$745,000	1.64%	153571DQ4
08/01/2028	\$760,000	1.82%	153571DR2
08/01/2029	\$780,000	2.02%	153571DS0
08/01/2030	\$800,000	2.20%	153571DT8
08/01/2031	\$820,000	2.38%	153571DU5
08/01/2032	\$840,000	2.48%	153571DV3
08/01/2033	\$865,000	2.56%	153571DW1
08/01/2034	\$890,000	2.62%	153571DX9
08/01/2035	\$920,000	2.67%	153571DY7
08/01/2036	\$945,000	2.72%	153571DZ4
08/01/2037	\$975,000	2.75%	153571EA8
08/01/2038	\$1,005,000	2.80%	153571EB6
08/01/2039	\$1,040,000	2.93%	153571EC4
08/01/2040	\$1,070,000	2.95%	153571ED2
08/01/2041	\$1,105,000	2.95%	153571EE0
08/01/2042	\$1,140,000	2.95%	153571EF7
08/01/2043	\$1,180,000	3.03%	153571EG5
08/01/2044	\$1,220,000	3.03%	153571EH3
08/01/2045	\$1,260,000	3.02%	153571EJ9
08/01/2046	\$1,300,000	3.02%	153571EK6
08/01/2047	\$1,345,000	3.02%	153571EL4

APPENDIX B
BOND RESOLUTION

RESOLUTION AUTHORIZING ISSUANCE OF
\$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS
SERIES 2017

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EXHIBIT "A" - FORM OF BOND

RESOLUTION AUTHORIZING ISSUANCE OF
\$26,550,000
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY
REVENUE BONDS
SERIES 2017

* * *

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (such act being hereinafter referred to as the "Act").

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to 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 rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); 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; 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 the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State of Texas, to issue its negotiable revenue bonds, as hereinafter provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the Member Districts of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and provisions for security and repayment thereof, hereinafter set forth in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth in this Resolution;
- (d) the issuance by the Authority of such bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part;
- (e) the Authority has heretofore issued its Revenue Bonds, Series 2008, in the original aggregate principal amount of \$22,050,000 (the "Series 2008 Bonds"), its Revenue Bonds, Series 2015, in the original aggregate principal amount of \$10,805,000 (the "Series 2015 Bonds"), and its Revenue Bonds, Series 2016, in the original aggregate principal amount of \$9,270,000 (the "Series 2016 Bonds"); and
- (f) as of the date hereof, there remains outstanding \$14,285,000 in aggregate principal amount of the Series 2008 Bonds, \$10,535,000 in aggregate principal amount of the Series 2015 Bonds, and \$9,270,000 in aggregate principal amount of the Series 2016 Bonds (collectively, the "Outstanding Bonds").

(End of Article One)

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein (except those set forth in EXHIBIT "A"), shall apply with equal force herein and in any amendment or supplement hereto:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge of and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds and the Outstanding Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, governmental body or governmental agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended, provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$26,550,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2017, initially dated as of November 1, 2017, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and between the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as amended and supplemented in that certain First Supplement to the Water Supply Contract, dated January 30, 2009, by and between the Authority and the City of Houston, as amended in that certain First Amendment to the First Supplement, dated January 22, 2013, by and between the Authority and the City of Houston, as amended and supplemented in that certain Second Supplement to the Water Supply Contract, dated February 25, 2015, by and between the Authority and the City of Houston, as amended and supplemented in that certain Third Supplement to the Water Supply Contract, dated November 10, 2015, by and between the Authority and the City of Houston, as amended and supplemented in that certain Fourth Supplement to the Water Supply Contract, dated November 10, 2015, by and between the Authority and the City of Houston, and as may be further amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund described and referred to in Section 7.01(b) hereof and used and administered pursuant to Sections 7.07 and Section 7.08 hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund described and referred to in Section 7.01(c) hereof and used and administered pursuant to Section 7.04 hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof and used and administered pursuant to Section 7.05 hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB, as printed, stamped, or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the SWIRFT (as hereinafter defined) account administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and ZB, National Association, dba Amegy Bank, Houston, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of certain of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by law or by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund described and referred to in Section 7.01(a) hereof and used and administered pursuant to Section 7.03 hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contributions from any federal, state or local governmental agency or authority, or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement to capital expenditures of or for the System; (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority; or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder or Holders.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.02 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District or Member Districts.

The term "Member District" or "Member Districts" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Amended and Restated Joint Facilities Agreement, dated November 6, 2013, by and between the Authority and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Authority, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, lease, option, reservation, conveyance, treatment, or supply of water which are deemed necessary by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to, payments under the City of Houston Contract, and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other general and administrative expenses of the Authority.

Outstanding Bonds.

The term "Outstanding Bonds" is defined in Section 1.04(f) hereof.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.05 of this Resolution.

Person.

Except as said term is otherwise specifically defined for purposes of Section 8.04 thereof, the term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority, including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance, condemnation and/or sale proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Project.

The term "Project" shall mean all works, plants, facilities, improvements, equipment, appliances, property or interests in property, and contract rights or other rights for the second phase expansion of the System, and all additions, modifications, reconstruction, repairs or extensions of the System in connection therewith, including (a) the purchase of certain rights to capacity in the

City of Houston's expansion of its Northeast Water Purification Plant constructed or to be constructed by the City of Houston, Texas under the City of Houston Contract (i.e., TWDB Project 51023); and (b) the purchase of certain rights to capacity in transmission facilities constructed or to be constructed by the North Harris County Regional Water Authority (i.e., TWDB Project 51009), all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts in accordance with the requirements of the Subsidence District's requirements for Area Three as defined by the Subsidence District's 2013 Regulatory Plan.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; all other costs and expenses directly relating to the foregoing, together with reasonable contingencies related to the foregoing; and the deposit to the Debt Service Fund, as provided under Section 8.01 hereof.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District); or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.04 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds, the Outstanding Bonds, and any Additional Bonds remaining outstanding at the time of such computation; provided, the average annual sum shall be calculated based only upon the number of whole or partial Fiscal Years in which such principal and interest are actually scheduled to become due.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Series 2008 Bonds.

The term "Series 2008 Bonds" is defined in Section 1.04(e) hereof.

Series 2015 Bonds.

The term "Series 2015 Bonds" is defined in Section 1.04(e) hereof.

Series 2016 Bonds.

The term "Series 2016 Bonds" is defined in Section 1.04(e) hereof.

Series 2008 Resolution.

The term "Series 2008 Resolution" shall mean the resolution of the Board of Directors of the Authority adopted on June 11, 2008, authorizing the issuance of the Series 2008 Bonds, and all amendments and supplements thereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for treated surface water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on revenues other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund described and referred to in Section 7.01(e) hereof and used and administered pursuant to Section 7.06 hereof.

System.

The term "System" shall mean all works, plants, facilities, improvements, equipment, appliances, property or interests in property, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights in and to certain capital improvements and/or capacity therein under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

SWIRFT.

The term "SWIRFT" shall mean the State Water Implementation Revenue Fund for Texas.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the SWIRFT and, where appropriate, means the

Executive Administrator, Fund Manager, or other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution 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 Resolution 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 Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Resolution is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREE

AUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2017", shall be issued in the aggregate principal amount of \$26,550,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act.

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, and shall be initially dated as of November 1, 2017. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond, and shall be completed with the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof. Each such Bond shall be dated as of November 1, 2017, shall include thereon the Delivery Date, and shall include in the certificate of registration the date of its authentication by the Registrar.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. The Bonds shall bear interest at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

[SCHEDULE COMMENCES ON FOLLOWING PAGE]

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
\$ 665,000	2019	0.760%
\$ 670,000	2020	0.840%
\$ 675,000	2021	0.940%
\$ 685,000	2022	1.080%
\$ 695,000	2023	1.210%
\$ 705,000	2024	1.320%
\$ 720,000	2025	1.450%
\$ 730,000	2026	1.550%
\$ 745,000	2027	1.640%
\$ 760,000	2028	1.820%
\$ 780,000	2029	2.020%
\$ 800,000	2030	2.200%
\$ 820,000	2031	2.380%
\$ 840,000	2032	2.480%
\$ 865,000	2033	2.560%
\$ 890,000	2034	2.620%
\$ 920,000	2035	2.670%
\$ 945,000	2036	2.720%
\$ 975,000	2037	2.750%
\$1,005,000	2038	2.800%
\$1,040,000	2039	2.930%
\$1,070,000	2040	2.950%
\$1,105,000	2041	2.950%
\$1,140,000	2042	2.950%
\$1,180,000	2043	3.030%
\$1,220,000	2044	3.030%
\$1,260,000	2045	3.020%
\$1,300,000	2046	3.020%
\$1,345,000	2047	3.020%

SECTION 3.04: DATES, MANNER, AND PLACE OF PAYMENT. Interest on the Bonds shall accrue from the later of the Delivery Date or the most recent Interest Payment Date to which interest has been paid or duly provided for, and shall be payable semi-annually on February 1 and August 1 of each year until the earlier of the Maturity Date or the optional Redemption Date, commencing on February 1, 2018. The amount of interest on the Bonds payable on each Interest Payment Date, Maturity Date or Redemption Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date, Maturity Date, or Redemption Date, the Paying Agent shall compute the amount of interest to be

due and payable on such date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such date.

The payment of interest on the Bonds, except interest payment due on any Maturity Date or Redemption Date, shall be payable, (a) at the option and expense of the Authority by (i) check or draft mailed by the Paying Agent to the Holder, at the address shown on the Register, or (ii) wire transfer to the Holder; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of the Holder. The interest so payable will be paid to the Person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

The principal of the Bonds, together with accrued interest since the most recent Interest Payment Date, shall be payable only upon their presentation and surrender, on their respective Maturity Dates or on an earlier optional Redemption Date, at the principal trust office of the Paying Agent.

If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.05: MEDIUM OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates, Maturity Dates or Redemption Dates, is legal tender for the payment of debts due the United States of America.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, such Bonds, nevertheless, may be authenticated and delivered as though the Person who signed such Bonds had not ceased to be such officer of the Authority, and any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not affect the validity or enforceability of such Bond, if same has been duly registered by the Comptroller of Public Accounts of the State of Texas or authenticated by the Registrar, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each Maturity Date in Section 3.03 hereof, representing the entire principal amount of Bonds scheduled to mature on each such Maturity Date. The Initial Bonds shall be made payable to Cede & Co., as nominee for DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar, completed with the Delivery Date and registered on the Register in the name of Cede & Co., as nominee of DTC, by the Registrar, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB of the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder(s) may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bond(s) to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bond(s) are to be transferred and the Maturity Date(s) and principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Initial Bond a certificate of registration substantially in the form provided in Section 5.02 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond a Certificate of Registrar substantially in the form provided in Section 5.03 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Such Certificate of Registrar upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been duly authenticated, registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes, whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effective for all purposes and shall

discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain at its designated office a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer and exchange of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the office designated by the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name of the transferee or transferees one or more exchange Bonds of the same Maturity Date as the Bond so presented, in a like aggregate principal amount and of like interest rate as the Bond so presented, and shall deliver or mail same to the transferee or transferees by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the office designated by the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, in any authorized denomination which is an integral multiple of \$5,000, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate, register and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each exchange Bond duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond (a) on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, (b) during any period beginning fifteen (15) calendar days prior to, and ending on the day of the mailing of, notice to the Holders of a redemption of the Bonds pursuant to Article Four hereof, or (c) to the extent that such Bond has been selected for redemption, in whole or in part, pursuant to Article Four hereof when the Redemption Date in respect of such Bond is less than thirty (30) days prior to the actual presentation and surrender thereof for transfer or exchange.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall

authenticate, register and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is apparently lost, destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate, register and deliver, a replacement Bond of like tenor and effect, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated or apparently lost, destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. The Initial Bonds shall be registered in the name of Cede & Co., as nominee of DTC, pursuant to Section 3.07 hereof. Except as provided in Section 3.12 hereof, all transfer, exchange or replacement Bonds delivered subsequent to the Initial Bonds pursuant to the terms and provisions of this Resolution shall be likewise registered in the name of Cede & Co. or the then-designated nominee of DTC. Accordingly, the provisions of the Letter of Representation and DTC's Operational Arrangements, as incorporated

by the Letter of Representation, shall control to the extent of any conflict with the provisions of this Resolution and for so long as the Bonds are registered in DTC's book-entry only system.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Resolution. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and shall cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, and receipt of proper proof of the beneficial ownerships of the DTC Participants and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the

Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Holders transferring or exchanging Bonds shall designate, in accordance with such transfer or exchange instructions and the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Sections 3.09, 3.10, 3.11 or 3.12 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and/or Registrar and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of cancellation and/or destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOUR

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2028, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on February 1, 2028, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus-unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same Maturity Date are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal amount of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate, register and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.03: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions within a maturity, the respective principal amounts of the Bonds to be redeemed in each maturity, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.04: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds, or the portions thereof so called for redemption, shall be terminated.

(End of Article Four)

ARTICLE FIVE

FORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Resolution shall be in substantially the form specified in EXHIBIT "A" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Resolution.

SECTION 5.02: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in EXHIBIT "A" attached hereto.

SECTION 5.03: CERTIFICATE OF REGISTRAR. The following form of Certificate of Registrar shall be printed on the face of or attached to each of the Bonds authenticated and delivered subsequent to the Initial Bonds:

CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Bonds issued under the provisions of the within-mentioned Resolution, and it is hereby further certified that this Bond has been authenticated, registered and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

_____, Registrar

Dated: _____

By: _____
Authorized Signature

[END OF FORM]

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in EXHIBIT "A" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be, but is not required to be, printed on or attached to the Initial Bonds and any exchange Bonds and certified by the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Resolution. An original of such opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIX

SECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of the Outstanding Bonds and any Additional Bonds. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds, the Outstanding Bonds, and any Additional Bonds have been paid in full, as to both principal and interest, at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project Bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (a) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project; (b) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds, the Outstanding Bonds, and any Additional Bonds, when and as the same shall become due and payable; (c) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds, the Outstanding Bonds, and any Additional Bonds, when and as the same shall become due and payable; and (d) fulfill the terms, agreements and covenants made with the Holders of the Bonds, the Outstanding Bonds, and any Additional Bonds-and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds, the Outstanding Bonds, and any Additional Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds, the Outstanding Bonds, and any Additional Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties, in similar locations, under similar circumstances, with a responsible insurance company or companies against risks, accidents or casualties against, and in an amount which is customarily carried by, such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance with respect to such portion of the Project. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the Project or any portion of the Project, the Authority covenants that to the extent feasible and practicable, it will apply any proceeds of such insurance policies covering such loss or damage to the reconstruction or repair of the Project or such portion of the Project, and any excess insurance proceeds remaining after the completion of such improvements shall first be deposited into the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority. If it is not feasible or practicable for such improvements to be reconstructed or repaired, such insurance proceeds shall first be deposited into the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority.

To the extent that the Project or any portion of the Project shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for such taking, upon receipt by the Authority, shall first be deposited to the credit of the Debt Service Fund and thereafter deposited, in whole or in part, into any other fund identified in Section 7.01 hereof, at the discretion of the Authority.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVEN

REVENUES AND APPLICATION THEREOF

SECTION 7.01: CONFIRMATION OF FUNDS. The creation, establishment and use of the following funds pursuant to the Series 2008 Resolution is hereby adopted and confirmed as a part hereof, as if set forth in full herein, and same shall continue in force and effect so long as this Resolution remains in effect:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided herein. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds, the Outstanding Bonds, and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority, as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority identified in Section 7.01 hereof, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds, the Outstanding Bonds, or any Additional Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds, the Outstanding Bonds, and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds, the Outstanding Bonds, or any Additional Bonds remain outstanding, and after making the deposits required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues, an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount.

If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds, the Outstanding Bonds, and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds, the Outstanding Bonds, or any Additional Bonds to mature or to be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove (and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, the Outstanding Bonds, and any Additional Bonds), may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall

not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund or any earnings thereon constitute Pledged Revenues or be, remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.01 and Section 8.02 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that a final accounting of Eligible Project Costs shall be provided to the TWDB. If the Project shall be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, such excess and unused proceeds on deposit in the Construction Fund and the Escrow Fund shall be used for the following purposes as and if approved by the Executive Administrator of the TWDB in writing (a) deposit into the Debt Service Fund or other interest and sinking fund created for the payment of the interest on and principal of any of the Authority's bonds, notes or other obligations earned or held by the TWDB; or (b) payment of other eligible costs for the Project or the System as approved by the Executive Administrator of the TWDB. In determining the amount of available funds for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were

initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHT

APPLICATION OF BOND PROCEEDS: TAX COVENANTS

SECTION 8.01: DEPOSIT TO DEBT SERVICE FUND AND DEBT SERVICE RESERVE FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$1,266,492.00 representing twenty-four (24) months of capitalized interest on the Bonds, shall be deposited into the Debt Service Fund. Proceeds from the sale and delivery of the Bonds in the amount of \$1,165,297.00 shall be deposited into the Debt Service Reserve Fund. The remaining proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds, as and if approved by the TWDB prior to the Delivery Date and in such amounts as approved by the TWDB, representing Eligible Project Costs, shall be deposited into the Construction Fund on the Delivery Date. Proceeds from the sale and delivery of the Bonds, as and if approved by the TWDB prior to the Delivery Date and in such amounts as approved by the TWDB, representing the estimated costs of issuance of the Bonds, shall also be deposited into the Construction Fund on the Delivery Date. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds as provided in Section 7.08 hereof.

SECTION 8.03: DEPOSIT TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.04: TAX COVENANTS. For purposes of this Section 8.04 only, the term "Net Proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "Person" includes any individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to Persons other than natural persons, means any activity other than an activity carried on by a governmental unit.

The Authority covenants that it shall make such use of the Net Proceeds of the Bonds, regulate investments thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to assure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

- (a) The Authority will not use the proceeds of the Bonds, directly or indirectly, in a manner that would cause the Bonds or any portion thereof to be a "private activity bond", within the meaning of Section 141 of the Code and the Regulations;

- (b) The Authority has not permitted and will not permit more than ten percent (10%) of the Net Proceeds of the Bonds to be used in the trade or business of any Person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds");
- (c) The Authority has not permitted and will not permit more than five percent (5%) of the Net Proceeds of the Bonds to be used in the trade or business of any Person, other than a governmental unit, if such use is unrelated to the governmental purpose of the Bonds; and further, the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the Net Proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;
- (d) The principal of and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;
- (e) The Authority has not permitted and will not permit an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the Net Proceeds of the Bonds to be used, directly or indirectly, to finance loans to Persons other than governmental units;
- (f) The Authority will not use the proceeds of the Bonds in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond", within the meaning of Section 148 of the Code or otherwise in any manner which would cause the Bonds to violate the provisions of Section 149(d) of the Code;
- (g) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the payment of the Bonds, other than amounts not subject to yield restriction because of their deposit in a reasonable required reserve and replacement fund (such as the Debt Service Reserve Fund) or a bona fide debt service fund (such as the Debt Service Fund), and will restrict the yield on such investments to the extent required by the Code or the Regulations; further, without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on (i) all Net Proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund, Debt Service Reserve Fund, Construction Fund, and Escrow Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion), and (ii) all investment earnings on hand on a date that is three (3) years from the date of delivery of the Bonds or one (1) year from the date such investment proceeds are received, whichever is later, to a yield which is not materially higher than the yield on the bonds issued by the TWDB to purchase the Bonds (in both cases calculated in accordance with the Code and the Regulations);

- (h) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations within the meaning of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code);
- (i) To the extent applicable and required by the Code and the Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate not less often than required by applicable federal law and the Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than required by applicable federal law and the Regulations, all amounts required to be rebated to the federal government; and 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 Bonds that might result in a smaller profit or larger loss than would have resulted if the arrangement has been at arm's length and had the yield on the issue not been relevant to either party; and
- (j) The Authority will timely file a statement with the federal government setting forth the information required pursuant to Section 149(e) of the Code.

For purposes of the foregoing (a) and (b), the Authority understands that the term "Net Proceeds" includes "disposition proceeds", as defined in the Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Authority that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the United States Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Authority will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Authority agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In furtherance of such intention, the Authority hereby authorizes and directs the President or Vice President of the Board of Directors of the Authority to execute

any documents, certificates or reports required by the Code and to make such elections, on behalf of the Authority, which may be permitted by the Code and are consistent with the purposes for the issuance of the Bonds. Furthermore, all officers, employees and agents of the Authority are authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Authority as of the date the Initial Bonds are delivered and paid for, and any such certifications may be relied upon by Bond Counsel, by the Holders of the Bonds, and by any Person interested in the exclusion of interest on the Bonds from gross income for federal income tax purposes. Moreover, the Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of proceeds thereof, and take such other and further actions as may be required to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

SECTION 8.05: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS. The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2017, including the Bonds, will exceed \$10,000,000.

For purposes of this Section 8.05, the term "tax-exempt obligation" does not include "specified private activity bonds" within the meaning of Section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. In addition, for purposes of this Section 8.05, the Authority includes all governmental units of which the Authority is a "subordinate entity" and governmental units which are "subordinate entities" of the Authority, within the meaning of Section 265(b)(3)(E) of the Code.

SECTION 8.06: ALLOCATION OF EXPENDITURES; LIMITATIONS. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within eighteen (18) months of the later of the date that (a) the expenditure is made, or (b) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall make such allocation in any event by the date that is sixty (60) days after the earlier of (a) the fifth anniversary of the delivery of the Bonds, or (b) the date the Bonds are retired. For purposes of determining compliance with this covenant, the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the Authority will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. The Authority will maintain records and documentation regarding the allocation of expenditures to proceeds of the Bonds and the investment of gross proceeds of the Bonds for at least six years after the close of the final calendar year during which any Bond is outstanding.

SECTION 8.07: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project, to the extent purchased, constructed or otherwise acquired with the proceeds of the Bonds, will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the

Authority will not adversely affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINE

AMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (a) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or;
- (b) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, unless expressly authorized by the Resolution, no change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of

the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority reserves the right to issue bonds or other obligations in any manner permitted by law to refund or defease the Bonds, the Outstanding Bonds, or any Additional Revenue Bonds at or prior to their respective dates of maturity or redemption.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TEN

BONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect such Pumpage Fees and Service Fees as may be ample and sufficient to provide for full and timely payment of the Bonds, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVEN

CONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12 and any regulations promulgated thereunder, all as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "Significant Participant" means and includes any Participant, other than the Authority, which has paid or is obligated to pay Pumpage Fees, Service Fees, or other charges or revenues to the Authority aggregating at least twenty percent (20%) of the Gross Revenues of the Authority, as reflected by the most recently completed annual audit of the Authority commissioned pursuant to Section 12.12 hereof.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six (6) months after the end of each Fiscal Year, financial information and operating data with respect to the Authority and each Significant Participant, but only if, as, when and to the extent actually received by the Authority, of the general type included in the Authority's application to the TWDB for financial assistance prepared in connection with the Bonds. Any financial statements to be so provided shall be (a) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality, the TWDB and/or any successor agency, or such other accounting principles as the Authority may be required to employ from time to time pursuant to applicable law or regulatory requirement, and (b) audited, if the Authority and/or a Significant Participant commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide such audited financial statements for the applicable Fiscal Year to the MSRB when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify the MSRB 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 Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02

may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. The Authority shall notify the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein. All documents provided to the MSRB pursuant to this Section 11.02 shall be accompanied by such identifying information as may be prescribed by the MSRB.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) Business Days after occurrence, of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material within the meaning of the federal securities laws;
- (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, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds, if material within the meaning of the federal securities laws;
- (h) Calls for redemption of the Bonds, if material within the meaning of the federal securities laws, and tender offers;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event(s) of the Authority or a Significant Participant;
- (m) The consummation of a merger, consolidation, or acquisition involving the Authority or other Significant Participant or the sale of all or substantially all of the assets comprising the Project or the sale of all or substantially all of the assets of a

Significant Participant, 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 action, other than pursuant to its terms, if material within the meaning of the federal securities laws; and

- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS. (a) 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 Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be regarded as outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners of the Bonds, within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon 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, conditions or prospects of the Authority or any Significant Participant, nor does the Authority 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 to sell Bonds at any future date.

(c) ~~UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR IN 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 IN TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH, SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE AUTHORITY AGREES TO USE REASONABLE DILIGENCE TO OBTAIN FROM EACH SIGNIFICANT PARTICIPANT THE INFORMATION IT HAS AGREED HEREIN TO PROVIDE; PROVIDED, HOWEVER, THE AUTHORITY SHALL, IN ITS SOLE DISCRETION, DETERMINE WHETHER TO INSTITUTE OR PURSUE LEGAL OR ADMINISTRATIVE PROCEEDINGS TO COMPEL THE FURNISHING OF ANY REQUIRED INFORMATION TO THE AUTHORITY.~~

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Should the Rule be amended to obligate the Authority to make filings with or provide notices to entities other than the MSRB, the Authority hereby agrees to undertake such obligations with respect to the Bonds in accordance with the Rule as amended.

(g) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority or any Significant Participant, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding 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 Holders of the Bonds and any beneficial owners of the Bonds, within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule, or if any 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 any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority 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.

(End of Article Eleven)

ARTICLE TWELVE

MISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS.

The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH TWDB REQUIREMENTS. (a) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the Authority shall (i) develop, implement and maintain a water conservation program relative to the System which is consistent with applicable rules, regulations and requirements of the TWDB and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB, and (iii) comply with any and all provisions specified and contained in Resolution Nos. 15-078 and 17-081 approved by the TWDB in connection with the issuance of the Bonds, and (iv) comply with and abide by all other applicable rules, regulations and requirements of the TWDB relative to the Project.

(b) The Authority covenants and agrees that proceeds from the sale of the Bonds shall never be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site(s), and, to the extent permitted by law, agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport and/or removal 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 the Project.

(c) The Authority covenants and agrees to report to the TWDB the use of proceeds of the Bonds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with Section 363.42(c)(1) of Title 31, Texas Administrative Code, as amended.

(d) The Authority covenants and agrees that neither the Authority nor a party related to the Authority will acquire any tax-exempt bonds, notes or other obligations of the TWDB, the proceeds of which were used by the TWDB to acquire the Bonds from the Authority, in an amount related to the amount of the Bonds acquired or to be acquired from the Authority by the TWDB.

(e) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the Authority shall provide the TWDB with written notice thirty days prior to (i) the proposed passage and adoption of an amendment to this Resolution without obtaining the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding, to the extent authorized under Section 9.01 hereof, or (ii) the proposed issuance of any Additional Bonds by the Authority.

(f) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the TWDB may exercise all remedies available to it in law or equity and any provisions hereof that restricts or limits the TWDB's full exercise of such remedies, including but not limited to the provisions of Section 10.01 hereof, shall be of no force or effect.

(g) That certain Private Placement Memorandum, of even date herewith, relating to the sale, issuance and delivery of the Bonds to the TWDB is hereby approved and authorized to be delivered to the TWDB on the Delivery Date.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: REGISTRAR. The initial Registrar in respect of the Bonds shall be ZB, National Association, dba Amegy Bank, Houston, Texas. The Authority will maintain at least one (1) Registrar in the State of Texas where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to approve, execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as she or he may deem necessary and appropriate.

SECTION 12.05: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be ZB, National Association, dba Amegy Bank, Houston, Texas. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent and Registrar services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain in the State of Texas at least one (1) Paying Agent, who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which a combined capital and surplus of at least \$25,000,000, and is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to

change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to approve, execute and deliver, for and on behalf of the Authority an agreement for Paying Agent services with ZB, National Association, dba Amegy Bank, Houston, Texas, in such form and upon such terms and conditions as he or she may deem necessary and appropriate.

SECTION 12.06: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligations to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, §1207.001 et seq., Texas Government Code, as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders or beneficial owners of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders or beneficial owners of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent

jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants in compliance with generally acceptable accounting practices, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Resolution and other documentation required in connection herewith and with the issuance of the Bonds.

SECTION 12.16: ISSUANCE OF BONDS UNDER CERTAIN TERMS AND CONDITIONS. The Bonds shall be issued upon and subject to the further terms and conditions contained in the Series 2008 Resolution, which shall apply with equal force to the Bonds as if set forth fully herein; provided, however, that where the provisions of the Series 2008 Resolution are inconsistent or in conflict with the terms and provisions of this Resolution, the terms and provisions of this Resolution shall govern.

(End of Article Twelve)

ARTICLE THIRTEEN

SALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds. It is hereby further found and declared that the terms of the sale of the Bonds are in the Authority's best interests.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following such approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEEN

OPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time, on October 11, 2017, and that a sufficient written notice of the date, hour, place and subject of such meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was duly and timely posted and/or furnished for posting to the County Clerk of Harris County, Texas, for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Chapter 49, Texas Water Code, as amended, and that such meeting was open to the public, as required by law, at all times during which this Resolution and the subject matter hereof was discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage and adoption.

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PASSED AND ADOPTED this 11th day of October, 2017.

/s/ Margaret L. Cox

President, Board of Directors

ATTEST:

/s/ David Granadino

Secretary, Board of Directors

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF BOND)

REGISTERED
NUMBER
IR-__¹

UNITED STATES OF AMERICA
STATE OF TEXAS

REGISTERED
AMOUNT
\$ _____

\$26,550,000
CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY
REVENUE BOND
SERIES 2017

Interest

Rate:

Maturity Date:

Initial Date:

Delivery Date:

CUSIP No.:

_____%

August 1, ____

November 1, 2017

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

_____ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the Delivery Date specified above, or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable on February 1, 2018, and semi-annually thereafter on August 1 and February 1 (each an "Interest Payment Date") of each year until the maturity or optional redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on October 11, 2017 (the "Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal and interest payments in respect of this

¹ For any Bond registered and delivered by The Registrar in exchange for an Initial Bond, substitute "R" for "IR".

Bond shall be payable in any coin or 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. Principal of and interest on this Bond due at maturity or upon prior optional redemption shall be payable, upon presentation and surrender of this Bond, at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Except at maturity, interest payments in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer from the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be ZB, National Association, dba Amegy Bank, Houston, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating TWENTY-SIX MILLION FIVE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$26,550,000.00) in principal amount, issued for the purpose or purposes of paying or making provision for the payment of Project Costs, as defined in the Resolution and the costs of issuance, sale and delivery of the Bonds, pursuant to the Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT, AT ITS OPTION, TO REDEEM the Bonds of this issue maturing on or after August 1, 2028, prior to their scheduled maturities, in whole or, from time to time, in part, in inverse order of their stated maturities on February 1, 2028, or on any date thereafter, at a price equal to the principal amount to be redeemed, plus accrued interest thereon to the date fixed for redemption. Under certain circumstances described in the Bond Resolution, the Bonds may be subject to mandatory redemption, in whole or in part, in inverse order of their stated maturities. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, if different than the Registrar, in writing, of the Bonds selected

for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2017.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain groundwater users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Resolution; proceeds received from any insurance settlement, condemnation award, or sale of properties comprising a part of the Project, as described in the Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Resolution. Neither the State of Texas nor any

other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as, hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Resolution, this Bond shall not be entitled to the benefit and security of the Resolution nor be valid or obligatory for any purpose.²

² For any exchange Bond, delete the foregoing paragraph in its entirety and substitute the following paragraph:

"UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Registrar has been manually executed by the authorized representative of the Registrar, as provided in the Resolution, this Bond shall not be entitled to the benefit and security of the Resolution nor be valid or obligatory for any purpose."

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY
REGIONAL WATER AUTHORITY

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

(SEAL)

CERTIFICATE OF REGISTRATION³

OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the Central Harris County Regional Water Authority, and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,

Comptroller of Public Accounts
of the State of Texas

³ For any exchange Bond, the form of Certificate of Registrar set forth in Section 5.03 of the Resolution shall be substituted for the Comptroller's Certificate of Registration.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number): _____
the within Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Registered Owner

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

(Bank, Trust Company, or
Brokerage Firm)

By: _____
(Authorized Representative)

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

November 15, 2017

WE HAVE ACTED AS BOND COUNSEL for the Central Harris County Regional Water Authority (the "Authority"), which we also represent on certain other matters, in connection with the issuance by the Authority of its \$26,550,000 in aggregate original principal amount of its bonds designated as "Central Harris County Regional Water Authority Revenue Bonds, Series 2017," initially dated as of November 1, 2017 (the "Bonds").

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. In such regard, we have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the Authority and other public officials. We have assumed no responsibility with respect to the financial condition of the Authority or the reporting or disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the Authority, including the resolution authorizing the issuance, sale and delivery of the Bonds (the "Bond Resolution"), together with customary certificates of officers, agents and representatives of the Authority, and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT:

1. The Authority has been validly created and organized; the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; and, therefore, the Bonds, when delivered to and paid for by the Texas Water Development Board, will constitute valid and legally binding limited obligations of the Authority under existing law, payable solely from and secured

solely by a valid first lien on and pledge of the Pledged Revenues, as defined in the Bond Resolution.

2. Except as discussed below, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing law.
3. The Bonds are not "specified private activity bonds" and, therefore, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Code.

In providing the foregoing opinions, we have relied upon representations of the Authority with respect to matters solely within the knowledge of the Authority, which we have not independently verified, and we have assumed the accuracy and completeness of, and the Authority's continuing compliance with, the representations and covenants contained in the Bond Resolution and in the Authority's federal tax certification of even date herewith, pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete, or the Authority fails to comply with such covenants, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the acquisition, ownership, carrying or disposition of the Bonds, nor do we express any opinion with respect to any legislation, rules or regulations affecting the Bonds which may be enacted or promulgated after the date hereof.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, taxpayers qualifying for the health-insurance premium assistance credit, and individuals otherwise qualifying for the earned income credit.

We call your attention to the fact that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by Section 55 of the Code.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted in the Bond Resolution not to take any action or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

The Authority's obligations with respect to the Bonds are subject to limitation by applicable laws relating to bankruptcy, insolvency, moratorium or reorganization and other similar laws which may from time to time affect the rights of creditors of political subdivisions generally or by general principles of equity which limit the exercise of judicial discretion.

The Bonds are limited obligations of the Authority payable solely out of, and secured solely by, a lien on and pledge of the Pledged Revenues if, as, when and to the extent actually received by the Authority. Neither the State of Texas nor any other political subdivision or agency thereof is obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision, or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not payable in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

The Authority has reserved the right under the conditions and circumstances specified in the Bond Resolution to issue additional bonds payable from and secured by a pledge of and lien on the Pledged Revenues on a parity with the Bonds or subordinate thereto.

Project Location

County: Harris

Primary: Y

Can you locate your project to a specific address?: Y

Project Address: 12121 N. Sam Houston Pkwy E

Project City: Humble

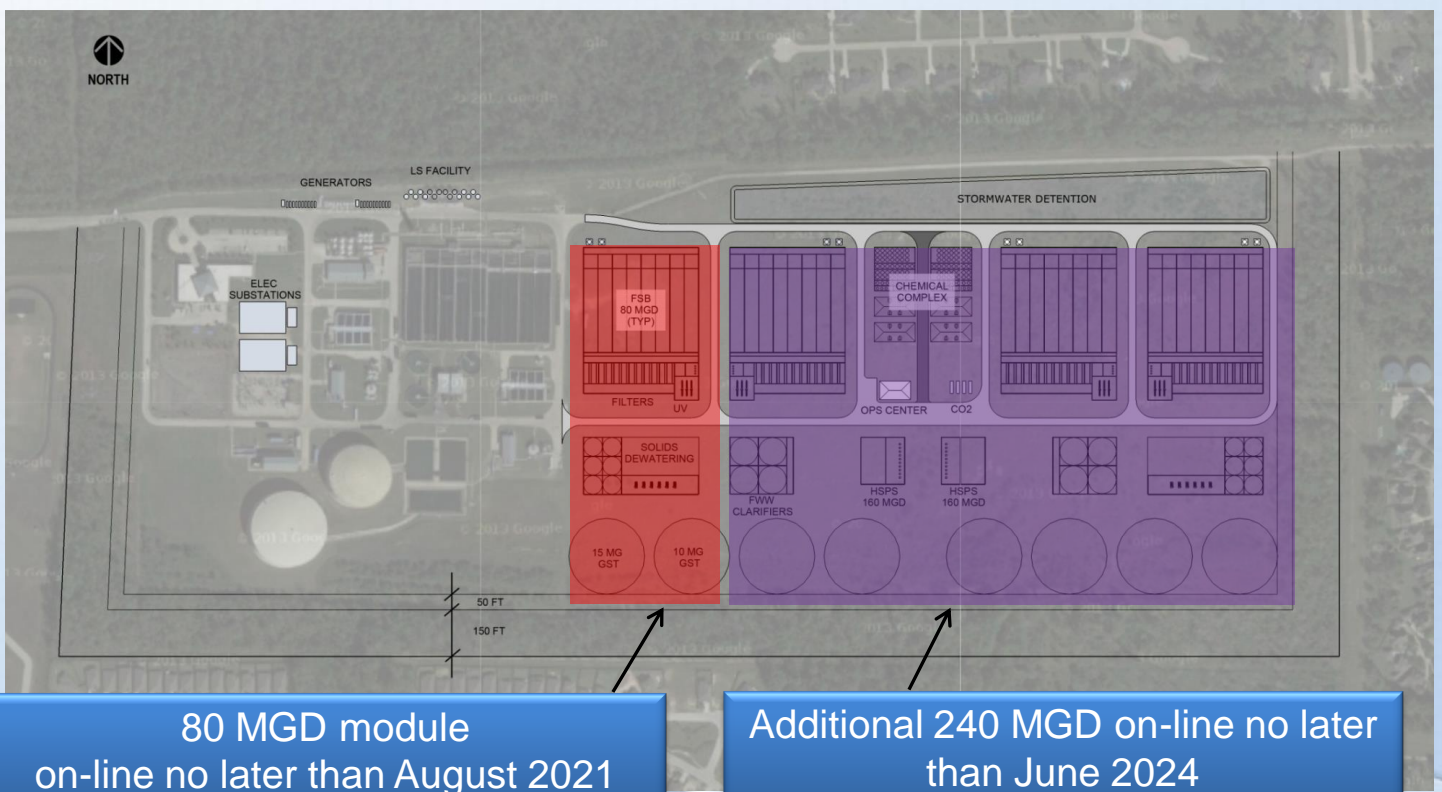
Project State: TX

Project ZIP: 77396-2932



Figure No. 2.2
 SITE PLAN
 CITY OF HOUSTON
 NORTHEAST WATER PURIFICATION
 PLANT EXPANSION

A single 320 MGD expansion with early 80 MGD milestone is being planned



Project Schedule

- a) Requested loan closing date: 11-30-2018
- b) Estimated date to submit environmental planning documents.: 07-30-2017
- c) Estimated date to submit engineering planning documents.: 07-30-2017
- d) Estimated date for completion of design.: 12-31-2018
- e) Estimated Construction start date for first contract.: 12-31-2018
- f) Estimated Construction end date for last contract: 07-31-2024

CENTRAL HARRIS COUNTY REG. WATER AUTHORITY

Water Demand Projects as of January 2018

Year	Total Water (MGD)	Surface Water (MGD)	Peak (MGD)	Population Served
2010	5.28	1.58	1.8	28,341
2011	5.43	1.63	1.84	
2012	5.58	1.67	1.89	
2013	5.73	1.72	1.93	
2014	5.88	1.77	1.97	
2015	6.03	1.81	2.01	32,400
2016	6.18	1.86	2.06	
2017	6.33	1.90	2.10	
2018	6.48	1.95	2.14	
2019	6.63	2.00	2.19	
2020	6.78	2.04	2.23	36,400
2021	6.93	2.09	2.27	
2022	7.08	2.14	2.31	
2023	7.23	2.18	2.36	
2024	7.42	2.23	2.4	
2025	7.45	2.47	2.64	40,000
2026	7.47	2.70	2.88	
2027	7.50	2.94	3.12	
2028	7.52	3.18	3.36	
2029	7.55	3.42	3.60	
2030	7.58	3.65	3.84	40,700
2031	7.60	3.89	4.08	
2032	7.63	4.13	4.32	
2033	7.65	4.36	4.56	
2034	7.68	4.6	4.8	
2035	7.88	6.3	6.9	42,300
maximum build out reached				

Cost Estimates

**PROJECT BUDGET - Central Harris County Regional Water Authority
Northeast Water Purification Plant Expansion (PIF 12578)**

Uses	TWDB Funds Series 1 (2015)	TWDB Funds Series 2A (2017)	TWDB Funds Series 2B (2017)	TWDB Funds Series 3 (2018)	TWDB Funds Series 4 (2019)	TWDB Funds Series 5 (2020)	Total TWDB Cost	Other Funds	Total Cost
Construction									
Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Basic Engineering Fees									
Planning +	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Design	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Construction Engineering	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Basic Engineering Other **									
**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Basic Engineering Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Special Services									
Application	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$150,000	\$500,000	\$75,000	\$25,000	\$200,000	\$25,000	\$975,000	\$0	\$975,000
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Special Services Other **									
**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Special Services	\$150,000	\$500,000	\$75,000	\$25,000	\$200,000	\$25,000	\$975,000	\$0	\$975,000
Other									
Administration	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$4,483,500	\$13,070,000	\$3,893,000	\$805,000	\$5,282,060	\$768,250	\$28,301,810	\$0	\$28,301,810
Project Legal Expenses	\$50,000	\$200,000	\$50,000	\$10,000	\$50,000	\$10,000	\$370,000	\$0	\$370,000
Other **									
**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Other Services	\$4,533,500	\$13,270,000	\$3,943,000	\$815,000	\$5,332,060	\$778,250	\$28,671,810	\$0	\$28,671,810
Fiscal Services									
Financial Advisor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Counsel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other **									
**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Fiscal Services	\$826,500	\$2,430,000	\$882,000	\$160,000	\$1,052,940	\$141,750	\$5,493,190	\$0	\$5,493,190
Contingency									
Contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL COSTS	\$5,510,000	\$16,200,000	\$4,900,000	\$1,000,000	\$6,585,000	\$945,000	\$35,140,000	\$0	\$35,140,000

Texas Water Development Board Water Project Information							
A. Project Name Northeast Water Purification Plant Expansion		B. Project No. 51023		C. County Harris			
D. Program(s) SWIFT		E. Date 05/04/2018		F. Regional Planning Group (A-P) H			
G. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc)							
Attach map of service area affected by Project or other documentation.							
H. Is an Inter Basin Transfer potentially involved? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			I. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> N/A _____ No <input checked="" type="checkbox"/>				
J. Service Area Projected Population for at least a 20 year period: (if different from Planning Area, discuss in separate attachment)	Current Population		Projected Population				
	Year:	20	2020	2025	2030	2035	2040
	Population:		36,400	40,000	40,700	42,300	42,300
Project Design Year: (Year for which project will be sized)		2025		Design Population: (Population served by project on the design year)		42,300	
K. Is the proposed project included in a current Regional Water Plan? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes , please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: <u>5-B-TRET-004</u>)							
L. What type of water source is associated directly with the proposed project ? Surface Water <input checked="" type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
M. Will the project increase the volume of water supply? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>							
N. What volume of water is the project anticipated to deliver/ treat per year? <u>5,467</u> (CHCRWA Allotment) Acre-Foot/Year							
O. Current Water Supply Information							
Surface Water Supply Source / Provider Names City of Houston		Certificate No. N/A		Source County Harris		Annual Volume and Unit 774 MG (contracted)	
Groundwater Supply Aquifer N/A		Well Field location N/A		Source County Harris		Annual Volume and Unit 1200 MG (permitted)	
Reuse Water N/A		Certificate No. N/A		Annual Amount Used and Unit N/A			
P. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names City of Houston		Certificate No. N/A		Source County Harris		Annual Volume and Unit 2555 MG (contracted)	
Groundwater Supply Aquifer Gulf Coast Aquifer		Well Field location N/A		Source County Harris		Annual Volume and Unit 575 MG (estimated)	
Reuse Water N/A		Certificate No. N/A		Annual Amount Used and Unit N/A			
Q. Consulting Engineer Name Marcel Khouw, P.E.			Telephone No. 713-462-3178		E-mail address mkhouw@idseg.com		
R. Applicant Contact Name, Title Same as above			Telephone No. Same as above		E-mail address Same as above		

All boxes on this form must be filled out for the application to be administratively complete. Items may be marked as N/A if appropriate.

Property Rights

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

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 right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
-------------------------------	--	--	------------------------------	--------------------------------

Permits & Easements

Are any major permits necessary for completion of the project?: Y

Permits

Permit	Issuing Entity	Permit Acquired (Y/N)
See CoH 2015 application	TBD	N

Has the applicant obtained all necessary land and easements for the project?: N

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)
See CoH 2015 application	TBD	OWN	01-01-2021	Y

Environmental Determination

Has a Categorical Exclusion (CE), Determination of No Effect, Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?: N

CE/DNE

Is the project potentially eligible for a CE/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?: N

Adverse Environmental/Social Impacts

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)?: N

Associated PIF(s)

PIF number(s):

PIF ID #12578

Associated PIF PDF

The following document is for associated PIF #12578

Texas Water

Development Board

OLA ID 869851

PIF No. 12578

Entity Name: Central Harris Co Regional WA

Project Name: Northeast Water Purification
Plant Expansion

TABLE OF CONTENTS

General Information

Contact Information

Service Area

Project Description

Document - WaterSystemList

Readiness to Proceed to Construction

Estimated Costs

Document - AnticipatedCommitments

Submittal

General Information

Project Information

Funding Type: SWIFT

Contact Information

County: Harris

Entity Contact Information	Engineering Firm Contact Information
Name of Entity: Central Harris Co Regional WA	Name of New Entity:
Prefix: Ms.	Prefix: Mr.
First Name: Christina	First Name: Marcel
Last Name: Cole	Last Name: Khouw
Addr 1: 1300 Post Oak Blvd, Suite 1400	Addr 1: 13430 Northwest Fwy, Suite 700
Addr 2:	Addr 2:
City: Houston	City: Houston
State: TX	State: TX
Zip: 77056-3078	Zip: 77040-6091
Phone: (713) 623-4531	Phone: (713) 462-3178
Fax: (713) 623-6143	Fax:
Suffix:	Suffix: P.E.
OrgName:	OrgName:
DeptName:	DeptName:
Title: Attorney for the Authority	Title: Authority Engineer
Email: ccole@sphllp.com	Email: mkhouw@idseg.com
	Firm Name:
Make Changes: Y	Make Changes: Y
No Entity TxWISE Id	No Engineering TxWISE Id

Service Area

Population Served: 42,300

Project Description

Project Name: Northeast Water Purification Plant Expansion

Where can Project be found in the most recent Regional Water Plan?

Project listed on page: : 5-B-TRET-004

Capital costs on page: : 5-B-TRET-004

Region: H - REGION H

Phase(s) Applied For

Planning: Y

Acquisition: N

Design: Y

Construction: Y

Emergency

Applicant/entity's water supply will last less than 180 days.: N

Applicant has received or applied for Federal emergency funding.: N

None of the above.: Y

Agricultural Efficiency Project?: N

Estimated average annual residential water bill: \$524.3

Annual Median Household Income: \$43,550

Project will produce water: Y

Project will conserve water: N

Please provide the volume of water anticipated to be produced or conserved by the project per decade:

2020	2030	2040	2050	2060	2070
233170	358400	358400	358400	358400	358400

Project will address water loss: N

Description of Proposed Project Components: The Northeast Water Purification Plant (NEWPP) is an 80 MGD facility located in northeast Harris

County. The plant diverts water from nearby Lake Houston and treats it for use by the City of Houston

(COH), North Harris County Regional Water Authority (NHCRWA), and Central Harris County Regional

Water Authority (CHCRWA). The facility serves as the sole source of treated surface water for NHCRWA and CHCRWA, enabling them to meet the groundwater reduction requirements of the Harris-Galveston Subsidence District (HGSD).

The NEWPP will continue to serve these users with treated surface water as their demands and conversion requirements increase over time. An increased level of conversion will be needed in order

to allow the three current customers to meet their conversion requirement of 60 percent by 2025 and 80 percent by 2035. In

addition, the West Harris County Regional Water Authority (WHCRWA) and North Fort Bend Water

Authority (NFBWA) will rely on water from this plant in order to meet their 2035 conversion obligations. Meeting these future conversion targets will require the combined benefit of the individual authority Groundwater Reduction Plans (GRPs) and their associated infrastructure, the expanded NEWPP, and the Luce Bayou transfer project.

Texas Water Development Board

State Water Implementation Fund for Texas (SWIFT)

Abridged Application Regional Project Worksheet

Applicant: Central Harris County Regional Water Authority

Project Name: Northeast Water Purification Plant Expansion

Instructions: List all entities (aside from the applicant) that will be served by the proposed project. Use the "Rural" column to indicate the entities serving populations of 10,000 or fewer.

Press "Tab" to add new rows as needed.

Entity Name	Rural
1. Fallbrook Utility District	Yes
2. Harris County Utility District No. 16	Yes
3. Harris County Municipal Utility District No. 33	Yes
4. Harris County Municipal Utility District No. 150	Yes
5. Harris County Municipal Utility District No. 200	Yes
6. Harris County Municipal Utility District No. 205	Yes
7. Harris County Municipal Utility District No. 215	Yes
8. Harris County Municipal Utility District No. 217	Yes
9. Harris County Municipal Utility District No. 304	Yes
10. Harris County Municipal Utility District No. 399	Yes
11. Rankin Road West Municipal Utility District	Yes

Readiness to Proceed to Construction

Preliminary planning or design work (30% of total project) has been completed or is not required.:
Y

Applicant is prepared to begin implementation or construction within 18 months of application
deadline.: Y

Applicant has acquired all water rights associated with the proposed project, or none will be
required.: Y

Estimated Costs

TWDB Requested Amount

Low-Interest Loan Amount: \$7580900.00

Deferred Loan Amount:

Board Participation Amount:

Local Contribution Amount:

Other Amount:

Other Desc:

Total Estimated Project Costs: \$7580900.00

Anticipated Debt Service for 2018 Loan Closing is anticipated to be:: LEVEL

Central Harris County Regional Water Authority

Northeast Water Purification Plant Expansion

	Total	Bond Issue	
		2018	2019
Project Cost	\$ 6,367,960.00	\$ 840,000.00	\$ 5,527,960.00
Fiscal Service	\$ 1,212,940.00	\$ 160,000.00	\$ 1,052,940.00
Total Bond Cost	\$ 7,580,900.00	\$ 1,000,000.00	\$ 6,580,900.00

Submittal

I, Marcel Khouw, Authority Engineer, as the designated authorized representative of the Central Harris Co Regional WA, hereby approve and authorize the submission of this project information form to the Texas Water Development Board. I certify that all information contained herein is true and correct to the best of my knowledge. I understand the failure to submit a complete project information form by the stated deadlines may result in the withdrawal of the form without review.

Submitted by: Marcel Khouw, Authority Engineer

Telephone Number: (832) 590-7293

Submitted date: 2018-02-01 16:22:44.563