

**APPLICATION FOR FINANCIAL ASSISTANCE
FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS**

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

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

Please submit your application to:

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

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

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

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

Thank you.

TWDB Use Only

Name of Applicant: _____

Date application received: _____

Date administratively complete: _____

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

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

Part A: General Information

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

2. Applicant Name and Contact Information:

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

3. Brief description of the project.

Expansion of City of Houston treatment capacity to meet Harris-Galveston Subsidence District and Fort Bend Subsidence District Regulations as well as increasing customer demands and increased regional population.

The City of Houston (COH) is among the largest providers of surface water to customers in Region H. COH currently treats water originating in Lakes Houston and Livingston at three treatment plants prior to distribution to customers. The three plants are the Northeast Water Purification Plant (NEWPP), the East Water Purification Plant (EWPP), and the Southeast Water Purification Plant (SEWPP). Over the course of RWP planning period, increasing COH and customer demands as well as Harris-Galveston Subsidence District requirements will drive the need for additional surface water treatment. This water treatment plant expansion will accommodate Houston customers including four regional Water Authority demand. The expanded plant will be built in four 80 mgd modules, total potable water capacity of 320 mgd.

4. Applicant's Officers and Members:

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

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

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

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

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

a) Applicant Engineer N/A

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

b) Bond Counsel N/A

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

c) Financial Advisor N/A

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

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

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

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

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

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

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

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

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

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

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

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAFF)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ <u>111,970,000</u>
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain: _____	\$ _____

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

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
SWIFT	Loan	\$228,020,000	2015	2018-2019
Total Funding from All Sources		\$228,020,000		

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

Comments: _____

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

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

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

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

Part B: Legal Information

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

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

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

No

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

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

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

Attached Draft WCP and Drought Contingency Plan
 Attached Utility Profile TWDB-1965

<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>
(Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

N/A

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

26. Does the applicant provide retail water services?

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

Yes

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

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

Attached Water Use Survey

No

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

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

Yes

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

Attached TWDB Water Audit worksheet

No

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

28. Does the Applicant provide wastewater services?

- Yes
- No

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

Part C: Financial Information

Regional or wholesale providers, complete questions 29-31.

Retail providers, complete questions 32-34.

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

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

Comments: _____

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

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

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

31. Provide a summary of the wholesale contracts with customers

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

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

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

a. **WATER – N/A**

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

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

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

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

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

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

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

Year	Number of Customers
20	
20	
20	
20	
20	

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

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

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

37. Does the applicant have taxing authority?
 Yes
 No

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

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

Comments: _____

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

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

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

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

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

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

Comments: _____

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

43. Does the applicant collect sales tax?
 Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
20	
20	
20	
20	
20	

No

44. Indicate the tax status of the proposed loan?
 Tax-Exempt
 Taxable

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

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

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

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

a. General Obligation Debt:

Yes

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

No

b. Revenue:

Yes

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

No

c. Authorized by Unissued Debt:

Yes

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

No

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

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

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

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

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

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

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

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

No. **Attached**

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

Part D: Project Information – Please refer to the City of Houston application for the project "City of Houston Treatment Expansion – Phase 1 and Phase 2" for the information in this section.

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

See City of Houston application for the NEWPP

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

See City of Houston application for the NEWPP

A complete preliminary engineering feasibility data must include:

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

55. Water Made Available (For projects requesting a construction component): **See City of Houston application for the NEWPP**

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

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

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

56. Project Location:

See City of Houston application for the NEWPP

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

Attached

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

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

Please follow these steps:

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

Attached Census tracts – Census tracts for the NFBWA only.

58. Project Schedule: **See City of Houston application for the NEWPP**

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

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

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

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

Attached – NFBWA population and water use projections only.

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

Attached

61. Attach the appropriate Project Information Form: **See City of Houston application for the NEWPP**

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

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

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

Attached

No. Provide explanation:

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

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

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

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

Attached

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

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

- Attached**
- No
- N/A

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

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

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

Permit	Issuing Entity	Permit Acquired (Y/N)

64. Has the applicant obtained all necessary land and easements for the project? **See City of Houston application for the NEWPP**

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

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

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

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

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

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

- Yes
- No

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

- Yes
 - If yes, attach additional information
- No

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

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

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

- | | | |
|-------------------------------------|---------------------|---------------|
| <input type="checkbox"/> | Deferred | \$ |
| <input checked="" type="checkbox"/> | Low Interest Loan | \$111,970,000 |
| <input type="checkbox"/> | Board Participation | \$ |

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

Attached

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

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

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

71. Provide drafts of the following documents:

a. Proposed Bond Ordinance

Attached

b. Private Placement Memorandum

Attached

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

Part I: Summary of attachments to application

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

Check list for your convenience

- | | |
|---|---|
| Part A | General Information |
| <input checked="" type="checkbox"/> No. 6 | Draft or executed consulting contracts (engineering, financial advisor, bond counsel) |
| Part B | Legal |
| <input checked="" type="checkbox"/> No. 17 | Resolution (TWDB-0201A) |
| <input checked="" type="checkbox"/> No. 18 | Application Affidavit (TWDB-0201) |
| <input checked="" type="checkbox"/> No. 19 | Certificate of Secretary (TWDB-201B) |
| <input checked="" type="checkbox"/> No. 21 | Resolution/ordinance authorizing the issuance of parity debt |
| <input checked="" type="checkbox"/> No. 25 | Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965) |
| Part C | Financial |
| <input checked="" type="checkbox"/> No. 39 | Assessed Values by Classifications |
| <input checked="" type="checkbox"/> No. 45 | Proforma for each year of debt outstanding |
| <input checked="" type="checkbox"/> No. 46 | Five year comparative system operating statement. |
| <input checked="" type="checkbox"/> No. 47 | Annual audit and management letter |
| <input checked="" type="checkbox"/> No. 49 | Outstanding debt schedule |
| <input checked="" type="checkbox"/> No. 52 | Service provider contracts |
| Part D | Project Information |
| <input checked="" type="checkbox"/> No. 57 | Census Tract(s) |
| <input checked="" type="checkbox"/> No. 59 | Current and future populations and projected water use or wastewater flows |
| Part E | State Water Implementation Fund for Texas |
| <input checked="" type="checkbox"/> No. 69 | Multi-year/phased commitment schedule |
| <input checked="" type="checkbox"/> No. 71a | Draft Bond Ordinance |
| <input checked="" type="checkbox"/> No. 71b | Private Placement Memorandum |

SPECIAL DISTRICT LOCAL LAWS CODE

TITLE 6. WATER AND WASTEWATER

SUBTITLE H. DISTRICTS GOVERNING GROUNDWATER

CHAPTER 8813. NORTH FORT BEND WATER AUTHORITY

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 8813.001. DEFINITIONS. In this chapter:

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

surface of land by the withdrawal of groundwater.

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

(11) "Water" includes:

(A) groundwater, percolating or otherwise;

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

(C) industrial and municipal wastewater.

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

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

Amended by:

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

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

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

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

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

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

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

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

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

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

(4) the legality or operation of the authority.

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

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

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

(b) The board shall:

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

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

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

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

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

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

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

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

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

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

17, 2005.

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

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

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

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

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

inclusion of the annexed land.

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

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

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

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

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

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

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

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

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

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

Amended by:

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

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

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

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

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

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

Amended by:

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

SUBCHAPTER B. BOARD OF DIRECTORS

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

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

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

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

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

total of at least four years.

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

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

(2) have served as:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(h) The board may adopt rules regarding:

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

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

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

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

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

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

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

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

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

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

SUBCHAPTER C. POWERS AND DUTIES

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

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

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

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

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

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

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

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

(8) administer and enforce this chapter.

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

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

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

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

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

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

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

Amended by:

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

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

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

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

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

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

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

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

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

(2) regulated under Chapter 27, Water Code.

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

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

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

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

applicable.

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

- (1) achieve water conservation;
- (2) prevent waste of water;
- (3) serve as a disincentive to pumping groundwater;
- (4) develop, implement, or enforce a groundwater reduction

plan;

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

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

(7) pay the principal of and interest on notes, bonds, and other obligations issued in connection with the exercise of the authority's general powers and duties; and

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

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

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

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

Amended by:

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

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

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

(b) The authority shall provide each district or municipality

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

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

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

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

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

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

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

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

(d) Notice provided under this section must include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) open for public inspection.

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

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

(2) covering delinquencies or costs of collection.

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

Amended by:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17, 2005.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amended by:

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

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

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

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

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

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

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

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

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

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

(2) to sell water to the person; or

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

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

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

Amended by:

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

eff. September 1, 2013.

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

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

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

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

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

(c) The authority may contract for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

administrative penalties due the authority; or

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

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

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

SUBCHAPTER D. BONDS AND NOTES

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

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

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

(3) grants or gifts;

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

(5) contracts between the authority and any person.

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

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

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

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

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

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

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

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

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

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

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

PROFESSIONAL ENGINEERING SERVICES AGREEMENT

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

General Engineering Services

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

A. SCOPE OF SERVICES.

1. Authorization.

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

2. Services.

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

a. General Engineering Services.

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

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

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

b. Job Assignment Proposal

(1) Each Job Assignment Proposal shall include:

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

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

3. Additional Services.

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

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

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

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

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

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

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

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

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

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

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

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

IV. STANDARD TERMS AND CONDITIONS.

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

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

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

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

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

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

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

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

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

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

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

Attn: David C. Scholler, P.E.

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

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

Attn: Joe B. Allen

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

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

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

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

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

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

NORTH FORT BEND WATER AUTHORITY

By: *Peter Houghton*

Printed Name: Peter Houghton

Title: President

Date: 8/2/05

BROWN & GAY ENGINEERS, INC.

By: *Richard F. Gay*

Printed Name: Richard F. Gay, P.E.

Title: President

Date: 10/5/05

**EXHIBIT A
RATESCHEDULE
FOR CONSULTING ENGINEERING SERVICES**

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

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

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

FIRST AMENDMENT TO PROFESSIONAL ENGINEERING SERVICES AGREEMENT

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

RECITALS

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

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

AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

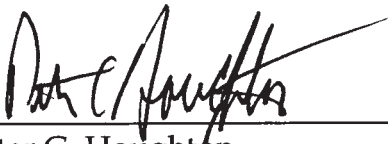
RESULTING FROM, OR ARISING OUT OF, THE NEGLIGENT ACTS, ERRORS OR, OMISSIONS, OR MISCONDUCT OF ENGINEER'S EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, OUTSIDE ADVISORY OR SUPPORT CONSULTANTS, OR REPRESENTATIVES REALTED TO SEGMENT 0, SEGMENT 1A, AND THE BELLAIRE PUMP STATION.

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

[EXECUTION PAGES FOLLOW]

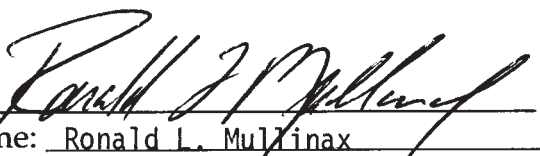
IN WITNESS WHEREOF, the parties hereto have executed this Amendment to be effective on the Effective Date in several counterparts, each of which shall be considered as an original.

NORTH FORT BEND
WATER AUTHORITY

By: 

Peter C. Houghton
President, Board of Directors

BROWN & GAY ENGINEERS, INC.

By: 

Name: Ronald L. Mulanax
Title: President

DESCRIPTIONS (Continued from Page 1)

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

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

COMMERCIAL AUTOMOBILE BROAD FORM ENDORSEMENT

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

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

1. BROAD FORM INSURED

A. Subsidiaries and Newly Acquired or Formed Organizations

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

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

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

B. Employees as Insureds

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

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

C. Lessors as Insureds

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

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

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

2. AUTOS RENTED BY EMPLOYEES

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

The OTHER INSURANCE Condition is amended by adding the following:

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

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11. TWO OR MORE DEDUCTIBLES

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

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

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

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

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

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

13. UNINTENTIONAL FAILURE TO DISCLOSE HAZARDS

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

14. HIRED AUTO - COVERAGE TERRITORY

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

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

15. WAIVER OF SUBROGATION

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

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

16. RESULTANT MENTAL ANGUISH COVERAGE

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

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

17. EXTENDED CANCELLATION CONDITION

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

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

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ARCHITECTS, ENGINEERS AND SURVEYORS XTEND ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

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

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

PROVISIONS

A. BROADENED NAMED INSURED

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

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

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

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

B. INCIDENTAL MEDICAL MALPRACTICE

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

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

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

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

Sale of Pharmaceuticals

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

C. REASONABLE FORCE – BODILY INJURY OR PROPERTY DAMAGE

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

Expected Or Intended Injury Or Damage

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

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

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

E. AIRCRAFT CHARTERED WITH CREW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMMERCIAL GENERAL LIABILITY

H. MEDICAL PAYMENTS LIMIT

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

I. INCREASED SUPPLEMENTARY PAYMENTS

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

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

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

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

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

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

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

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

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

K. ADDITIONAL INSURED – LESSOR OF LEASED EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

N. ADDITIONAL INSURED – ARCHITECT, ENGINEER OR SURVEYOR

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

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

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

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

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

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

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

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

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

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

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

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

Q. PER PROJECT GENERAL AGGREGATE LIMIT

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

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

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

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

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

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

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

3. As used in the Provision Q.:

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

R. KNOWLEDGE AND NOTICE OF OCCURRENCE OR OFFENSE

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

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

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

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

S. UNINTENTIONAL OMISSION

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

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

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

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

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

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

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

4. "Your products".

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

U. AMENDED BODILY INJURY DEFINITION

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

"Bodily injury" means:

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

V. AMENDED INSURED CONTRACT DEFINITION – RAILROAD EASEMENT

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

- c. Any easement or license agreement;

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

W. AMENDED PROPERTY DAMAGE DEFINITION – TANGIBLE PROPERTY

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

"Property damage" means:

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

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

COMMERCIAL GENERAL LIABILITY

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

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

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

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



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED AND RIGHTS OF RECOVERY AGAINST OTHERS

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

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

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BLANKET ADDITIONAL INSURED (ARCHITECTS, ENGINEERS AND SURVEYORS)

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

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

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

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

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

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

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

INSURANCE (Section III) for this Coverage Part.

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

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

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

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

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

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

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COMMERICAL GENERAL LIABILITY

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

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

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

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

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

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OTHER INSURANCE – ADDITIONAL INSURED

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

PROVISIONS

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

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

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

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

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

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

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

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

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

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David Oliver
Partner

May 27, 2015

Board of Directors
North Fort Bend Water Authority

Dear Board of Directors:

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

Client

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

Scope of Engagement-General Representation of Authority

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

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

Scope of Engagement-Bond Counsel Services

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

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

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

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

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

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

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

Scope of Engagement - Continuing Disclosure Services

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

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

General Understandings

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

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

Cooperation

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

Fees

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

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

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

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

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

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

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

Other Charges

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

Investment Disclosures

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

Withdrawal or Termination

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

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

Other

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

Very truly yours,

ALLEN BOONE HUMPHRIES ROBINSON LLP

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

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

By: [Signature]
President, Board of Directors

ATTEST:

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

(SEAL)



ALLEN BOONE HUMPHRIES ROBINSON LLP

Standard Terms of Engagement for Legal Services

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

The Scope of Our Work

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

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

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

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

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

Who Will Provide the Legal Services

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

How Our Fees Will Be Set

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

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

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

Additional Charges

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

Duplicating

The Firm charges \$.15 per page.

Courier Services

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

Computer Aided Legal Research (CALR)

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

Telefax

The Firm does not charge for telefaxes.

Telephone

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

Travel-Related Expenses

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

All Other Costs

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

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

Billing Arrangements and Terms

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

Advances

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

Client and Firm Documents

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

Attorney Complaint Information

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

THE TEXAS LAWYER'S CREED - A MANDATE FOR PROFESSIONALISM

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

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

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

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

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

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

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

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

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

FINANCIAL ADVISORY AGREEMENT

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

WITNESSETH:

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

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

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

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

SECTION I DESCRIPTION OF SERVICES

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

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

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

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

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

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

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

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

SECTION II TERMINATION

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

SECTION III COMPENSATION AND EXPENSE REIMBURSEMENT

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

**SECTION IV
MISCELLANEOUS**

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

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

[SIGNATURE PAGES FOLLOW.]

POST OAK MUNICIPAL ADVISORS LLC

By: _____

NORTH FORT BEND WATER AUTHORITY

By: _____
Title: _____
Date: _____

ATTEST:

Secretary

APPENDIX A

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

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

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

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

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

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

APPENDIX B

Bonds

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

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

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

Notes

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

\$ ___ for each Note issuance.

Other

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

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

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

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

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

STATE OF TEXAS

§

§ A CONTRACT FOR ACCOUNTING

§ AND INVESTMENT SERVICES

§

COUNTY FORT BEND COUNTY

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

I. Basic Services

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

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

II. Additional Services

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

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

III. Public Employees Blanket Bond

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

IV. Professional liability Insurance

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

V. Timely Invoicing

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

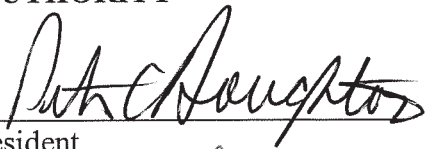
VI. Terms and Cancellation

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

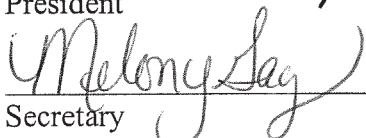
This Contract may be canceled by either party without cause at any time upon submission of thirty (30) days written notice, provided however that Accountant shall be compensated for the work performed through the effective date of termination.

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

**NORTH FORT BEND WATER
AUTHORITY**



President



Secretary

11-19-08

Date

AVANTA SERVICES



PAMELA M. LOGSDON, OWNER

Nov 19, 2008

Date

NORTH FORT BEND WATER AUTHORITY

EXHIBIT A

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

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

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

Monthly Investment Officer Fee	\$ 75.00
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Texas Water Development Board



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

January 6, 2017

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

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

Dear Mr. Scholler:

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

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

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

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

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

Mr. David Scholler, Project Engineer


January 6, 2017

Page 2

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

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

Sincerely,

for 

Jo Dawn Bomar
Director, Program Administration and Reporting
Water Supply and Infrastructure

Enclosure: Multi-year Commitment Annual Loan Closing Schedule



Multi-Year Commitment Annual Loan Closing Schedule

North Fort Bend Water Authority
Project #51023

Annual Loan Closing Schedule

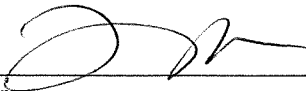
Year	Amount per Resolution No. 15-080	Proposed Revised Amount (If Applicable)
2017	\$20,660,000	NA
2018	\$53,440,000	NA
2019	\$174,580,000	NA
2020	--	NA
2021	--	NA
2022	--	NA

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

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

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

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



Signature

1/31/17

Date

Lindsay Kovan, Project Manager

Printed Name and Title

Contact Information

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

Shayna Chapman, EIT

Contact Name and Title

7134888273

Phone Number

schapman@bgsf-inc.com

Email Address

Application Filing and Authorized Representative Resolution

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

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

SECTION 1: That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed \$ 111,970,000 to provide for the costs of Houston - NEWPP Expansion (additional project costs) .

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

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

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

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

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

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

ATTEST: Melony Gay

By: Peter Houghton

(Seal)



Application Affidavit

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

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

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

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

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

none

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

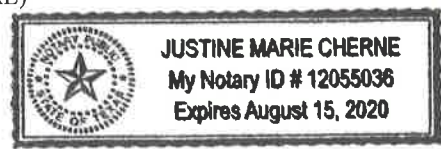
5. the North Fort Bend Water Authority (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

Peter Houghton
 Official Representative

Title: President

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

(NOTARY'S SEAL)



Justine Marie Cherne
 Notary Public, State of Texas

Application Resolution - Certificate of Secretary

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

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

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

N/A

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

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

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

7 voted "For" 0 voted "Against" 0 abstained

all as shown in the official minutes of the North Fort Bend Water Authority for this meeting.

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

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

(SEAL)



Melony Gay
Secretary

CERTIFICATE FOR RESOLUTION

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

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

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

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

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

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

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

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

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

(SEAL)



Melony Gay
Secretary, Board of Directors

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

NORTH FORT BEND WATER AUTHORITY



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)



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

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

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

BE IT RESOLVED BY THE BOARD OF THE AUTHORITY THAT:

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

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

[Remainder of page intentionally left blank]

APPENDIX "A"

WATER CONSERVATION PLAN

The North Fort Bend Water Authority Water Conservation Plan

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

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

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

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

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

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

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

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

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

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

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

Section 8. Continuous Program of Leak Detection, Repair, and Water Loss Accounting. The above described measures shall serve as a continuous program of leak detection, repair, and water loss accounting for the water transmission, delivery, and distribution system in order to control water loss.

Section 9. Continuing Public Education and Information. The Authority hereby institutes an educational program, to be implemented as soon as reasonably practicable, to promote the Plan with the general public which should include the following:

- A. Direct distributions, distributed at least annually, to all Authority customers (including wholesale water customers) (together, the "Users"), regarding water conservation; and
- B. Direct distribution of this Plan to the Authority's wholesale water customers, including new customers when they apply for service; and
- C. Requiring its wholesale water customers to adopt water conservation plans.

Additional educational activities may include: (i) conducting an informational school program in a school attended by students within the Authority's service area, or (ii) conducting an educational program for Users at a public place within or accessible to residents of the Authority, (iii) conducting or engaging in such other informational or educational activity designed to further water conservation measures as, in the discretion of the Board of Directors, may be consistent with the purposes and policies of this Plan, (iv) publication of articles in a newspaper or newsletter of general circulation in the Authority's service area, providing information regarding water conservation, or (v) any combination of the foregoing.

Section 10. Non-Promotional Rate Structure. The Authority hereby acknowledges that it has adopted a non-promotional water rate structure, as reflected in its Amended Rate Order which is attached as Exhibit 3. Although the Authority only provides wholesale water service, the Authority shall use reasonable efforts to work with its retail water supply customers regarding their implementation of an increasing block water rate structure that is intended to encourage water conservation and discourage excessive use and waste of water. The Operator will comply with this provision by: (i) providing a copy of this Plan to each of the Authority's wholesale water customers; (ii) investigating the retail rate structure of each of the Authority's wholesale customers and informing the Authority's Board of Directors about any customer that does not have an increasing block rate structure.

Section 11. Implementation and Enforcement. Without limitation to specific actions stated in this Plan to be taken by the Authority's operator, the Authority's operator will administer and enforce this Plan, and will oversee and be responsible for the execution and implementation of all elements of this Plan. The operator shall keep adequate records for Plan verification. The operator shall prepare the required annual report and the required implementation report every five years beginning in 2014. The Authority's operator shall report to the Board of the Authority regarding actions taken and which need to be taken under this Plan. The Authority has the authority under the Texas Water Code to implement and enforce this Plan. The Authority has the ability

under the Texas Water Code to adopt and enforce rules pertaining to prevention of waste and the unauthorized use of water.

Section 12. Coordination with Regional Water Planning Groups. The water service area of the Authority is located within the Region H Regional Water Planning Group and the Authority has provided a copy of the Plan to the Region H Regional Water Planning Group.

Section 13. Five-year Review. The Authority shall review and update the Plan every five years, or more frequently, as appropriate, based on an assessment of previous five-year and ten-year targets and any other new or updated information.

Section 14. Record Management. The Authority authorizes the Authority's operator to establish a record management system to record water delivery, water sales, and water losses.

Section 15. Wholesale Water Customers. The Authority shall require that each successive wholesale customer develop and implement a water conservation plan or water conservation measures in compliance with all applicable rules of the TCEQ or TWDB. This requirement will also extend to each successive wholesale customer in the resale of water.

EXHIBIT 1

**Water Conservation Utility Profile
Form TWDB-1965**

UTILITY PROFILE FOR WHOLESALE WATER SUPPLIER

Fill out this form as completely as possible.
If a field does not apply to your entity, leave it blank.

CONTACT INFORMATION

Name of Utility: North Fort Bend Water Authority

Public Water Supply Identification Number (PWS ID): 0790511

Certificate of Convenience and Necessity (CCN) Number: _____

Surface Water Right ID Number: _____

Wastewater ID Number: _____

Completed By: Lindsay Kovar Title: Project Manager

Address: 10777 Westheimer, Ste 400 City: Houston Zip Code: 77042

Email: lkovar@browngay.com Telephone Number: 7134888253

Date: 4/4/2014

Regional Water Planning Group: H [Map](#)

Groundwater Conservation District: _____ [Map](#)

Check all that apply:

Received financial assistance of \$500,000 or more from TWDB

Have a surface water right with TCEQ

Section I: Utility Data

A. Population and Service Area Data

1. Current service area size in square miles: 141
 (Attach or email a copy of the service area map.)
2. Provide projected and historical service area population below.

Year	Historical Population Served By Wholesale Water Service	Year	Projected Population Served By Wholesale Water Service
2013	202,607	2020	348,356
2012	193,906	2030	527,792
2011	184,960	2040	638,622
2010	177,591	2050	688,481
2009	160,000	2060	715,407

4. Describe the source(s)/method(s) for estimating current and projected populations.

Municipal Information Services (MIS) data for MUDs within the Authority dates back to 1980. MIS used this information and its relationships with developers to provide population forecasts for MUD (i.e., developed) and non-MUD (i.e., undeveloped) areas within the Authority. MIS also used data from 1980, 1990, 2000, and 2010 Censuses to aggregate the MUD and non-MUD data to census tracts. MIS adjusted for census tracts that are only partially or wholly within the Authority's boundary. MIS performed field surveys of development within the Authority to examine the types and level of current residential development activity. MIS incorporated the results of field efforts into its forecast of Authority population through 2025.

The University of Houston Center for Public Policy – Institute for Regional Forecasting, provided a population forecast based on the Small Area Model - Houston (SAM-Houston) of thirteen counties including Fort Bend County. The SAM-Houston model is an econometric model based on the presence of employment centers to sustain population.

The NFBWA population projections for the Texas Water Development Board (TWDB) Regional Water Planning Group 'H' (Region H) are the basis for future population for this update. As described above, MIS's work provided the estimate of population in the MUDs. The future population of the non-MUD areas is estimated as the

B. System Input

Provide system input data for the previous five years.

Total System Input = Self-supplied + Imported

Year	Self-supplied Water in Gallons	Purchased/Imported Water in Gallons	Total System Input	Total gal/day
2013		3,708,975,000	3,708,975,000	10,161,575
2012		2,231,972,000	2,231,972,000	6,114,992
2011		1,275,806,000	1,275,806,000	3,495,359
2010			0	0
2009			0	0
Historic 5-year Average	0	1,443,350,600	1,443,350,600	3,954,385

C. Water Supply System (Attach description of water system)

1. Designed daily capacity of system _____ **27,000,000 gallons per day.**
2. Storage Capacity:
 Elevated _____ **0 gallons**
 Ground _____ **30,000,000 gallons**
3. List all current water supply sources in gallons.

Water Supply Source	Source Type*	Total Gallons
City of Houston	Surface	
	Choose One	
	Choose One	
	Choose One	
	Choose One	
	Choose One	

*Select one of the following source types: *Surface water, Groundwater, or Contract*

4. If surface water is a source type, do you recycle backwash to the head of the plant?
 Yes _____ estimated **gallons** per day
 No

D. Projected Demands

1. Estimate the water supply requirements for the next ten years using population trends, historical water use, economic growth, etc.

Year	Population	Water Demands (gallons)
2015	235,271	12,420,000
2016	258,187	13,750,000
2017	281,095	14,990,000
2018	304,603	16,260,000
2019	327,057	17,470,000
2020	348,356	18,630,000
2021	367,146	19,640,000
2022	386,668	20,710,000
2023	407,044	21,830,000
2024	427,272	22,930,000

2. Describe sources of data and how projected water demands were determined. Attach additional sheets if necessary.

the Authority has implemented the Pumpage Reporting Online System (PROS) for owners to report pumpage. The per capita water demand was determined at the District level based on dividing water demand from 2007 through 2010 reported in PROS by the estimated population for the corresponding year. The per capita water demand was then multiplied by the projected population to determine an overall water demand for the Participants in the Authority.

Fort Bend Subsidence District regulations set two deadlines for groundwater reduction in Regulatory Area A. The first deadline in 2014 requires owners of regulated groundwater wells to reduce groundwater production so that groundwater comprises no more than 70% of their total water demand. The second deadline is in 2025 and requires that groundwater comprise no more than 40% of total water demand (i.e., 60% reduction). For these projections, the 60% reduction requirement is assumed to continue through 2070.

The demand presented above is the surface water demand for the Authority.

E. High Volume Customers

1. If applicable, list the annual water use for the five highest volume customers. Select one of the following water use categories to describe the customer; choose Municipal, Industrial, Commercial, Institutional, or Agricultural.

Customer	Water Use Category*	Annual Water Use	Treated or Raw
Grand Mission MUD#1	Municipal	277,405,000	Treated
North Mission Glen MUD	Municipal	258,464,000	Treated
Cinco Southwest MUD#1	Municipal	251,266,000	Treated
Fort Bend MUD#122	Municipal	250,266,000	Treated
Fort Bend MUD#119	Municipal	247,167,000	Treated

*For definitions on recommended customer categories for classifying customer water use, refer to the online [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

F. Utility Data Comment Section

Provide additional comments about utility data below.

Section II: System Data

A. Wholesale Connections

1. List the active wholesale connections by major water use category.

Water Use Category*	Active Wholesale Connections		
	Metered	Unmetered	Total Connections
Municipal	23		23
Industrial			0
Commercial			0
Institutional			0
Agricultural			0
TOTAL	23	0	23

*For definitions on recommended customer categories for classifying customer water use, refer to the online [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

2. List the net number of new wholesale connections by water use category for the previous five years.

Water Use Category*	Net Number of New Wholesale Connections				
	2013	2012	2011	2010	2009
Municipal	10	2	11		
Industrial					
Commercial					
Institutional					
Agricultural					
TOTAL	10	2	11	0	0

*For definitions on recommended customer categories for classifying customer water use, refer to the [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

B. Wholesale Water Accounting Data - Water Use Categories

- For the previous five years, enter the number of gallons of WHOLESAL water exported (*sold or transferred*) to each major water use category.

Customer Category*	Total Gallons of Wholesale Water				
	2013	2012	2011	2010	2009
Municipal	3,608,379,000	2,187,476,000	1,090,314,000		
Industrial					
Commercial					
Institutional					
Agricultural					
TOTAL	3,608,379,000	2,187,476,000	1,090,314,000	0	0

*For definitions on recommended customer categories for classifying customer water use, refer to the online [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

C. Wholesale Water Accounting Data - Annual and Seasonal Use

For the previous five years, enter the number of gallons exported (*sold or transferred*) to WHOLESALE customers.

Month	Total Gallons of Treated Water				
	2013	2012	2011	2010	2009
January	159,509,000	111,631,000	0		
February	153,881,000	55,134,000	0		
March	201,546,000	40,007,000	6,540,000		
April	195,335,000	177,547,000	18,395,000		
May	259,291,000	224,676,000	65,943,000		
June	308,970,000	198,596,000	116,862,000		
July	364,112,000	216,164,000	131,944,000		
August	399,626,000	274,261,000	174,042,000		
September	469,922,000	259,561,000	167,596,000		
October	411,319,000	225,908,000	150,283,000		
November	351,483,000	216,927,000	134,529,000		
December	333,385,000	187,064,000	124,180,000		
TOTAL	3,608,379,000	2,187,476,000	1,090,314,000	0	0

Month	Total Gallons of Raw Water				
	2013	2012	2011	2010	2009
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
TOTAL	0	0	0	0	0

WHOLESALE	2013	2012	2011	2010	2009	Average in Gallons
Summer Wholesale (Treated + Raw)	1,072,708,000	689,021,000	422,848,000	0	0	436,915,400
						5yr Average
TOTAL Wholesale (Treated + Raw)	3,608,379,000	2,187,476,000	1,090,314,000	0	0	1,377,233,800
						5yr Average

D. Water Loss

Provide Water Loss Data for the previous five years.

Water Loss GPCD = [Total Water Loss in Gallons ÷ Permanent Population Served] ÷ 365

Water Loss Percentage = [Total Water Loss ÷ Total System Input] x 100

Year	Total Water Loss in Gallons	Water Loss per day	Water Loss as a Percentage
2013	99,832,000	1	3%
2012	13,205,000	0	1%
2011	185,492,000	3	15%
2010		0	0%
2009		0	0%
5-year average	59,705,800	1	4%

E. Peak Day Use

Provide the Average Daily Use and Peak Day Use for the previous five years.

Year	Average Daily Use (gal)	Peak Day Use (gal)	Ratio (Peak/Avg)
2013			
2012			
2011			
2010			
2009			

F. Summary of Historic Water Use

Water Use Category	Historic 5-year Average	Percent of Water Use
Municipal	1,377,233,800	100%
Industrial	0	0%
Commercial	0	0%
Institutional	0	0%
Agricultural	0	0%

G. Wholesale System Data Comment Section

Provide additional comments about wholesale system data below.

The majority of water loss represents flushing and filling of new water mains.
 Data to calculate peak day use was not available.

Section III: Wastewater System Data

If you do not provide wastewater system services then you have completed the Utility Profile. Save and Print this form to submit with your Plan. Continue with the Water Conservation Plan Checklist to complete your Water Conservation Plan.

A. Wastewater System Data (Attach a description of your wastewater system)

- Design capacity of wastewater treatment plant(s): _____ gallons per day.
- List the active wastewater connections by major water use category.

Water Use Category*	Active Wastewater Connections			
	Metered	Unmetered	Total Connections	Percent of Total Connections
Municipal			0	0%
Industrial			0	0%
Commercial			0	0%
Institutional			0	0%
Agricultural			0	0%
TOTAL	0	0	0	

*For definitions on recommended customer categories for classifying customer water use, refer to the online [Guidance and Methodology for Reporting on Water Conservation and Water Use](#).

- What percent of water is serviced by the wastewater system? ____%
- For the previous five years, enter the number of gallons of wastewater that was treated by the utility.

Month	Total Gallons of Treated Water				
	2013	2012	2011	2010	2009
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
TOTAL	0	0	0	0	0

4. Could treated wastewater be substituted for potable water?

Yes No

B. Reuse Data

1. Provide data on the types of recycling and reuse activities implemented during the current reporting period.

Type of Reuse	Total Annual Volume (in gallons)
On-site irrigation	
Plant wash down	
Chlorination/de-chlorination	
Industrial	
Landscape irrigation (parks, golf courses)	
Agricultural	
Discharge to surface water	
Evaporation pond	
Other	
TOTAL	0

C. Wastewater System Data Comment

Provide additional comments about wastewater system data below.

You have completed the Utility Profile. Save and Print this form to submit with your Plan. Continue with the [Water Conservation Plan Checklist](#) to complete your Water Conservation Plan.

EXHIBIT 2

**Five and Ten Year Goals for Water Savings
Form TWDB-1964**

WATER CONSERVATION PLAN 5- AND 10-YR GOALS FOR WATER SAVINGS

Facility Name: North Fort Bend Water Au

Water Conservation Plan Year: 2014

	Historic 5yr Average	Baseline	5-yr Goal for year <u>2019</u>	10-yr Goal for year <u>2024</u>
Total GPCD ¹	174	175	172	168
Residential GPCD ²	N/A	N/A	N/A	N/A
Water Loss (GPCD) ³	1.43	1.4	3	5
Water Loss (Percentage) ⁴	1 %	1 %	2 %	3 %

1. Total GPCD = (Total Gallons in System ÷ Permanent Population) ÷ 365
2. Residential GPCD = (Gallons Used for Residential Use ÷ Residential Population) ÷ 365
3. Water Loss GPCD = (Total Water Loss ÷ Permanent Population) ÷ 365
4. Water Loss Percentage = (Total Water Loss ÷ Total Gallons in System) x 100; or (Water Loss GPCD ÷ Total GPCD) x 100

EXHIBIT 3

Rate Order

CERTIFICATE FOR ORDER

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

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

1. The Board of Directors of the North Fort Bend Water Authority convened in regular session on the 19th day of December, 2013, inside the boundaries of the Authority, and the roll was called of the members of the Board:

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

and all of said persons were present except Director ^{Houghton}~~Spell~~, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

AMENDED RATE ORDER

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

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

SIGNED AND SEALED the 19th day of December, 2013.



Melony Gay
Secretary, Board of Directors

(SEAL)



WHEREAS, prior to the Board's adoption of the GRP Fee and Surface Water Fee hereinafter set forth in this Amended Rate Order, the Board provided municipalities and districts within the Authority written notice of the date, time, and location of the meeting at which the Board would adopt the GRP Fee and Surface Water Fee, and the amount of said fees; and

WHEREAS, the Board has determined that the fees, user fees, rates, and charges established in this Amended Rate Order are necessary to accomplish those purposes set forth in the Act; and

WHEREAS, it is necessary that the Authority establish fees, user fees, rates, charges, and conditions and terms of service from the Authority System, the Authority's GRP and any other services provided by the Authority, and rules related thereto;

NOW, THEREFORE, IT IS ORDERED BY THE BOARD OF DIRECTORS OF THE NORTH FORT BEND WATER AUTHORITY THAT:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. As used herein, the following terms shall have the respective meanings set forth or referred to below:

"Act" means Senate Bill 1798 of the 79th Texas Legislature, as amended.

"Authority" means the North Fort Bend Water Authority.

"Authority Engineer" means the Authority's general operating engineer (currently Brown & Gay Engineers, Inc.), which may be changed from time to time by the Authority.

"Authority Operator" means the operating company performing operations for the Authority (currently SWWC Services, Inc.), which may be changed from time to time by the Authority.

"Authority System" means the Authority's facilities, pipelines, storage tanks, conduits, canals, pumping stations, treatment plants, meters, valves, and any other construction, device, or related appurtenance or connection used to treat, transport, or store Surface Water, including all easements, rights-of-way, and sites owned or utilized by the Authority, together with all Authority rights related thereto.

"Board" means the Board of Directors of the Authority.

"Chloramine System" is defined hereinafter.



“Commission” means the Texas Commission on Environmental Quality, and any successor agency.

“Control Valve Assembly” is defined hereinafter.

“Converted Customer” means a District (or other Authority customer) whose water supply facilities have been actually and directly connected to the Authority’s System and who is actually receiving Surface Water directly from the Authority’s System. A District that merely has a water interconnect with (or receives water through a water interconnect from) a Converted Customer is not considered a Converted Customer, unless said District’s own water supply facilities have been actually and directly connected to the Authority’s System and said District is itself actually receiving Surface Water directly from the Authority’s System.

“Current Calendar Year” is defined hereinafter.

“District” means any district created pursuant to Article III, Section 52(b)(1), (2) or Article XVI, Section 59, Texas Constitution, regardless of the manner of creation other than a navigation district or a district governed by Chapter 36 of the Texas Water Code.

“Delivery Point” is defined hereinafter.

“Exempt Well” means a Well with a casing diameter of less than five inches that solely serves a single family dwelling, a Well that is regulated under Chapter 27 of the Texas Water Code, or a Well that is not subject to any groundwater reduction requirement imposed by the FBSD or HGSD (as appropriate).

“FBSD” means the Fort Bend Subsidence District.

“GRP” means that certain groundwater reduction plan adopted by the Authority’s in March 2008, as amended; and all directives, determinations and requirements issued by the Authority (or the Authority Engineer or Authority Operator) pursuant to such plan, as all of same may be amended from time to time.

“GRP Fee” means the groundwater reduction plan fee/rate adopted by the Board pursuant to Section 8813.103 and set forth hereinafter.

“HGSD” means the Harris Galveston Subsidence District.

“Houston” means the City of Houston, Texas.

“Interest Rate” is defined hereinafter.

“Maximum Daily Amount” is defined hereinafter.

“Minimum Daily Amount” is defined hereinafter.



“Non-Exempt Well” means any Well within the Authority other than an Exempt Well.

“Person” means any individual, corporation, organization, government or governmental subdivision or agency, District, municipality, county, political subdivision, business trust, trust, estate, partnership, association, or any other legal entity.

“Rate Order” means this Amended Rate Order.

“Realty Interest Document” means a written document (in a form acceptable to the Authority) that grants the following rights to the Authority across, along, under, over, and upon any property (whether or not a water plant site) owned by a Person, or in which a Person has any interest: (i) water line and/or water meter easement(s), (ii) consent to conveyance of Authority easement(s), (iii) subordination of a Person’s realty interests to the Authority’s rights under Authority easement(s), or (iv) any other property interest necessary or convenient for the Authority to provide and/or meter Surface Water delivered by the Authority to any Authority customers.

“Shut-off Valve(s)” means the shutoff valve(s) installed by the Authority or the Person in the Surface Water line(s) on a Person’s water plant site(s).

“Surface Water” means water (whether surface, ground, or a blend of both) that is delivered through or by the Authority System.

“Surface Water Availability Date” means the date Surface Water is generally available to a Person, as determined by the sole discretion of the Authority

“Surface Water Fee” means the surface water fee/rate adopted by the Board pursuant to Section 8813.103 of the Act and set forth hereinafter.

“Three Year Time-Period” means the three year time-period preceding the date Surface Water is generally available to a Person, as determined by the sole discretion of the Authority.

“Water Line Tank Connection” is defined hereinafter.

“Well” means a facility, device, or method used to withdraw groundwater: (i) from a groundwater source that is located within the boundaries of the Authority; or (ii) from a groundwater source that is located outside the boundaries of the Authority, but is part of the GRP pursuant to a written contract with the Authority.

Section 1.02. Interpretations. The article and section headings of this Rate Order are included herein for convenience of reference purposes only and shall not constitute a part of this Rate Order or affect its interpretation in any respect. Except where the



context otherwise requires, words imparting the singular number shall include the plural and vice versa.

Section 1.03. References, Etc. Any reference in this Rate Order to a document shall mean such document and all exhibits thereto as amended or supplemented from time to time.

ARTICLE II FINDINGS

Section 2.01. Findings. Each of the recitals stated in this Rate Order are hereby adopted as a finding of the Board. All statutory requirements and conditions (including those of Section 8813.103) have been met for the establishment of those fees, user fees, rates and charges set forth in this Rate Order.

ARTICLE III RATES AND CHARGES

Section 3.01. GRP Fee. The Board hereby adopts a GRP Fee pursuant to Section 8813.103. The owner of each Non-Exempt Well within the Authority shall pay the Authority the GRP Fee for monthly pumpage, as provided in this Section. Effective January 1, 2013, the GRP Fee shall be equal to \$2.20 for each 1,000 gallons of water pumped from each Non-Exempt Well. Payment of the GRP Fee is due by the last day of the month following the month for which pumpage is required to be calculated (the "Due Date"). (For example, payment for January pumpage is due by February 28th; payment for February pumpage is due by March 31st; etc.) The Authority will not send invoices or billings to Non-Exempt Well owners for the amount of GRP Fees that are due. Each Non-Exempt Well owner shall be responsible for remitting to the Authority the GRP Fee on or before the Due Date. The GRP Fee for any billing period beginning on or after January 1, 2013, shall be calculated on the form promulgated by the Authority and attached hereto as Exhibit "A", which form shall be provided by the Non-Exempt Well owner to the Authority with the owner's monthly GRP Fee payment. Each Non-Exempt Well owner shall complete the appropriate form and provide it to the Authority monthly, even if the Non-Exempt Well owner's pumpage was zero. If the user had both Well pumpage and Surface Water usage during a month, then the user shall report the amount of each on the form promulgated by the Authority.

Section 3.02. Surface Water Fee. The Board hereby adopts a Surface Water Fee pursuant to Section 8813.103. Each Person that receives Surface Water from the Authority shall pay the Authority the Surface Water Fee for Surface Water received monthly, as provided in this Section. Effective January 1, 2013, the Surface Water Fee shall be equal to \$2.55 for each 1,000 gallons of Surface Water received. Payment of the Surface Water Fee is due by the last day of the month following the month for which Surface Water usage is required to be calculated, the Due Date. (For example, payment



for January Surface Water usage is due by February 28th; payment for February Surface Water usage is due by March 31st; etc.) The Authority will not send invoices or billings to Surface Water users for the amount of Surface Water Fees that are due. Each Surface Water user shall be responsible for remitting to the Authority the Surface Water Fee on or before the due date. The Surface Water Fee for any billing period beginning on or after January 1, 2013, shall be calculated on the form promulgated by the Authority and attached hereto as Exhibit "A", which form shall be provided by the Surface Water user to the Authority with the user's monthly Surface Water Fee payment. Each Surface Water user shall complete the appropriate form and provide it to the Authority monthly, even if the user's Surface Water use was zero. If the user had both Well pumpage and Surface Water usage during a month, then the user shall report the amount of each on the form promulgated by the Authority.

Section 3.03. Imported Water Fee. If the owner of a Non-Exempt Well ever obtains (or participates in the obtaining of) water from any source outside the Authority's boundaries, other than the purchase of water from the Authority subject to Section 3.02, to serve all or any portion of the property it serves (the "Imported Water"), then such owner of a Non-Exempt Well must immediately notify the Authority in writing of its intention to receive Imported Water, regardless of whether the Non-Exempt Well owner is obtaining water due to an emergency situation, a scheduled system repair, or any other reason. Notification of interconnect use shall be submitted on the Authority's official Interconnect Notification Form, which may be obtained via the Authority's website. Notification of imported water from any other source must be submitted in writing to the Authority.

If the Non-Exempt Well owner is experiencing an emergency situation and receiving surface water from the Authority, then the Non-Exempt Well owner will be charged the Imported Water Fee (as set forth below). Notwithstanding the foregoing, if special circumstances, as determined in the sole discretion of the Authority, exist in which the Authority is unable to deliver water to the Non-Exempt Well owner, then the Imported Water Fee shall not be imposed. If the Non-Exempt Well owner is experiencing an emergency situation, as determined in the sole discretion of the Authority, but is not receiving surface water from the Authority, then the Non-Exempt Well owner shall not be charged an Imported Water Fee on the Imported Water that it receives during a period not to exceed 60 consecutive or inconsecutive days during any calendar year. Such time period may be extended by the Authority, in its sole discretion and as appropriate, on a case by case basis considering the circumstances of the particular emergency.

If the Non-Exempt Well owner is obtaining Imported Water due to system repairs and receiving surface water from the Authority, then the Non-Exempt Well owner will be charged the Imported Water Fee (as set forth below). Notwithstanding the foregoing, if special circumstances exist in which the Authority is unable to deliver



water, as determined in the sole discretion of the Authority, to the Non-Exempt Well owner, then the Imported Water Fee shall not be imposed. If the Non-Exempt Well owner is obtaining Imported Water due to system repairs, but is not receiving surface water from the Authority, then the Non-Exempt Well owner must not only notify the Authority of its intention to receive Imported Water, but also obtain the Authority's written approval, which will be provided at the Authority's sole discretion. Should the Authority grant its approval, then the Non-Exempt Well owner shall not be charged an Imported Water Fee on the Imported Water that it receives during a period not to exceed 60 consecutive or inconsecutive days during any calendar year. Such time period may be extended by the Authority, in its sole discretion and as appropriate, on a case by case basis taking into account the scope and significance of the system repairs.

If applicable to the Non-Exempt Well owner's situation as set forth above, the Non-Exempt Well owner must pay to the Authority monthly the following Imported Water Fee: (i) the then-current GRP Fee applied on all Imported Water, if the Authority is not then providing surface water to the Non-Exempt Well owner; or (ii) the then-current Surface Water Fee applied on all Imported Water, if the Authority, in its sole discretion, is then providing surface water to the Non-Exempt Well owner. The Imported Water Fee is due and payable to the Authority monthly at the same time as the Non-Exempt Well owner's GRP Fee or Surface Water Fee payment, even if the Non-Exempt Well owner also pays another entity for the Imported Water and even if the Authority is not then providing any water to the Non-Exempt Well owner. The Imported Water Fee for any billing period beginning on or after January 1, 2013, shall be calculated on the form promulgated by the Authority and attached hereto as Exhibit "A", which form shall be provided by the Non-Exempt Well owner to the Authority with the Non-Exempt Well owner's monthly Imported Water Fee payment. Each Non-Exempt Well owner shall complete such form and provide it to the Authority monthly, even if the Non-Exempt Well owner's pumpage was zero.

The Non-Exempt Well Owner may submit a variance request to the authority detailing the special circumstances and any supporting reasons for which the Imported Water Fee should not be assessed in that particular situation. Such variance request must be submitted within 30 days of the earlier of either (a) the date on which the Non-Exempt Well owner receives written notification from the Authority that an Imported Water Fee will be charged to the Non-Exempt Well owner, or (b) the date on which the Non-Exempt Well owner self-reported receiving Imported Water via PROS. The Authority will consider the variance request and advise the Non-Exempt Well owner of its decision. The Authority's decision shall be final, and should the Authority deny the variance request, all outstanding amounts due related to the Imported Water Fee shall be due and payable to the Authority within 30 days of written notification from the Authority alerting the Non-Exempt Well owner of the variance denial.



Section 3.04. Payment of Fees. All fees payable to the Authority shall be paid in money which is legal tender in the United States of America. Payments will be accepted only by check or money order made payable to the "North Fort Bend Water Authority" or by wire transfer according to written wiring instructions provided by the Authority. No cash will be accepted. All payments must be received by the bookkeeper of the Authority (currently, AVANTA Services, 5635 Northwest Central Drive, Suite 104E, Houston, Texas 77092) by the Due Date. Written wire instructions are available upon request.

Section 3.05. Special Assessments. Section 8813.105 allows the Board to impose special assessments. To date, the Board has not imposed such special assessments. The Board reserves the right to impose such special assessments at any time by adopting a resolution, rule, requirement, or order (or amendment to this Rate Order) that expressly provides for the imposition of such special assessments.

ARTICLE IV WELL PUMPAGE

Section 4.01. Self-Reporting. Each Non-Exempt Well owner shall be responsible for reading the meter which measures the amount of water pumped from each Non-Exempt Well at the end of each month. Such measurement (even if it shows zero pumpage for the month) shall be reported to the Authority on the reporting form promulgated by the Authority: (i) available electronically on the Authority's Pumpage Reporting Online System ("PROS"), or (ii) if the Authority determines that PROS access is not reasonably available to a Person, then reporting may be made via the non-electronic reporting form attached hereto as Exhibit "A," provided permission to use the non-electronic reporting form is obtained in writing from the Authority. Along with the owner's monthly GRP Fee payment, the owner shall provide the reporting form to the Authority no later than the last day of the second month following the month for which pumpage is required to be calculated. (For example, the reporting form for January pumpage is due by February 28th; the reporting form for February pumpage is due by March 31st; etc.). All Persons shall provide their monthly reporting forms to the Authority electronically via PROS and, if requested by the Authority, also in non-electronic, written format. The Authority reserves the right to request more frequent reporting, at its sole discretion.

Section 4.02. Audits. The Authority shall have the right to audit the Well pumpage measurements submitted by the Well owner by reading the meter at the Well. In addition, the Authority, at its discretion, may read the meter for any other reason. If a Well owner reports an amount of pumpage to the Authority that differs from the amount of pumpage that the Authority determines occurred based on the Authority's reading of the meter, or if a well Owner reports an amount of pumpage to the FBSD that differs from the amount of pumpage that the Well owner reports to the Authority, the Authority may utilize any of said amounts to determine the total GRP Fees due the



Authority. If such Authority determination shows that the Well owner underpaid the Authority, then, in addition to all other remedies available to the Authority, the Authority may invoice the Well owner for the shortfall. (Any such invoice will be due to the Authority no later than the date provided in the invoice.) If such Authority determination shows that the Well owner overpaid the Authority, then the Authority may pay the Well owner the amount of the overage. Notwithstanding the previous two sentences, the Board may refrain from sending invoices for shortfalls and/or payments for overages that are below any threshold amount that is from time to time determined by the Board.

Section 4.03. Failure to Read Meter. In the event a Non-Exempt Well owner fails to read the meter, which measures the amount of water pumped from its Well, the Authority shall have the right to read the meter. The Authority may establish the Well owner's GRP Fee based on the Authority's reading, regardless of when the Authority reads the meter.

Section 4.04. Accuracy of Meters. Each Non-Exempt Well owner shall be responsible to install and maintain a Well meter on each Non-Exempt Well that is at least 95% accurate. If the Authority at any time believes that the meter is less than 95% accurate, it may notify the Well owner and require that such meter be independently tested and the results reported to the Authority. If the testing reveals that the meter is at least 95% accurate, the Authority shall pay the cost of such testing and the cost of any necessary temporary meter used. If the testing reveals that the meter is less than 95% accurate, then the Well owner shall pay the cost of such testing, the cost of any necessary temporary meter used, and the cost to recalibrate the meter such that it is at least 95% accurate, and the owner shall be responsible for payment to the Authority of the GRP Fee for unread gallons, as determined by the Authority. If the owner refuses to test the meter after the Authority requires it to do so, the Authority may remove the Well meter for independent testing and recalibration, and replace it with a temporary meter. The Authority shall pay for the cost of such testing and temporary meter, unless the results show that the meter was less than 95% accurate, in which case the Well owner shall be responsible for the cost of testing and recalibration of the meter, the cost of the temporary meter, and payment to the Authority of the GRP Fee for unread gallons, as determined by the Authority. Payment of the GRP Fee under this Section, for unread gallons resulting from a meter that is less than 95% accurate, shall be due to the Authority within 45 days after the Authority submits an invoice to the Well owner for same.

Section 4.05. Fort Bend Subsidence District Water Well Permitting. The FBSD has issued an aggregate water well permit to the Authority comprising all of the permitted non-exempt groundwater production for the Authority's GRP within Fort Bend County. The Authority shall be responsible for all administrative matters related to the aggregate water well permit, including permit renewal, payment of permit fees, requests for permit rebates, and year-end pumpage reporting requirements. Each Well



owner listed on the Authority's aggregate water well permit shall provide the Authority data and information required by the Authority for the Authority to prepare and file documents with the FBSD related to well permitting. Each Non-Exempt Well owner shall maintain: (i) ownership of its Well(s) and operational responsibility therefor, and (ii) subject to groundwater reduction requirements imposed by the Authority, the terms of the GRP, and any limitations imposed by the FBSD, the right to pump from such Well(s) the amount of groundwater reasonably determined by such owner to be needed by such owner, for itself or for its customers, to provide water in accordance with at least the minimum regulatory requirements for pressure and supply, including, without limitation, during an emergency requiring immediate use of groundwater (such as for firefighting purposes) so long as such owner is not committing waste or being wasteful. For purposes of this provision "waste" and "wasteful" shall have the most restrictive meaning ascribed to such terms in the following: (i) the Special District Local Laws Code Chapter 8834 with respect to Non-Exempt Wells in the FBSD, (ii) rules or requirements of the FBSD with respect to Non-Exempt Wells in the FBSD, or (iii) the terms of the aggregate water well permit issued to the Authority.

Section 4.06. Well Procedures. All requests for new Wells or changes in status to existing Wells subject to the Authority's GRP must first be submitted to the Authority and shall not be submitted directly to Fort Bend Subsidence District. Requests must be submitted to the Authority on the New Well or Activity Status Change Request form attached as Exhibit B.

ARTICLE V SURFACE WATER USE AND CONVERSION

Section 5.01. Self-Reporting. Each Surface Water user shall be responsible for reading the meter, which measures the amount of Surface Water delivered by the Authority, at the end of each month. Such measurement (even if it shows zero Surface Water usage for the month) shall be reported to the Authority on the reporting form promulgated by the Authority and attached hereto as Exhibit "A". Along with the user's monthly Surface Water Fee payment, the user shall provide the reporting form to the Authority no later than the last day of the second month following the month for which Surface Water usage is required to be calculated. (For example, the reporting form for January Surface Water usage is due by February 28th; the reporting form for February Surface Water usage is due by March 31st; etc.) All Persons shall provide their monthly reporting forms to the Authority electronically via the Authority's PROS and, if requested by the Authority, also in non-electronic written format. If the Authority determines in writing that PROS access is not reasonably available to a Person, then the Authority may allow such Person to provide its monthly reporting forms to the Authority in non-electronic written format. The Authority reserves the right to request more frequent reporting, at its sole discretion.



Section 5.02. Audits. The Authority shall have the right to audit the Surface Water usage measurements submitted by the Surface Water user by reading the Surface Water meter. In addition, the Authority, at its discretion, may read the meter for any other reason.

Section 5.03. Failure to Read Meter. In the event a Surface Water user fails to read the meter, which measures the amount of Surface Water delivered, the Authority shall have the right to read the meter. The Authority may establish the Surface Water user's Surface Water Fee based on the Authority's reading, regardless of when the Authority reads the meter.

Section 5.04. Delivery Point and Measuring and Control Equipment. The delivery point of water (the "Delivery Point") by the Authority to a Person receiving Surface Water shall be the output flange of the meter and control valve assembly (collectively, the "Control Valve Assembly") installed by the Authority to serve such Person. No Person shall connect to the Authority System, unless and until the Authority consents in writing to such connection. If the Authority, at its option, so consents, the connection shall be made, provided the connection: (i) is in strict conformity with the terms and conditions of such Authority consent, (ii) has prior approval for the connection from the Commission, and (iii) meets all applicable Commission requirements. The Authority shall furnish, install, and operate, at its own expense, at the Delivery Point the necessary equipment and devices of standard type for measuring the quantity of Surface Water delivered by the Authority. Such Control Valve Assembly and other equipment installed by the Authority shall remain the property of the Authority.

Section 5.05. Testing of Measuring Equipment. The Authority may from time to time test the measuring equipment. Should the test of the measuring equipment show that the equipment is registering more than one hundred two percent (102%) or less than ninety-five percent (95%) of the water delivered, the total quantity of water delivered to the Person will be deemed to be the average daily consumption as measured by the measuring equipment when in working order, and the meter shall be corrected, repaired, or replaced by the Authority with accurate measuring equipment. In such event, the Person's payments for Surface Water to the Authority shall be adjusted (increased or decreased) for a period extending back to the time when the inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, for a period extending back to the last test of the measuring equipment or 120 days, whichever is shorter.

Section 5.06. Delivery, Facilities and Title to Water. Each Person receiving Surface Water from the Authority shall be responsible to deliver water from the Delivery Point to and into the Person's water system. The Authority, and not the Person receiving Surface Water from the Authority, shall own, operate, and maintain: (i) any sensor equipment installed by the Authority on the Person's ground storage tank



facilities or other water plant facilities and related electrical and control connections by conduit pipe, or other means, connecting such sensor equipment to the Authority's facilities (the "Sensor Line and Equipment"); and (ii) the Control Valve Assembly installed by the Authority. The Person receiving Surface Water from the Authority, and not the Authority, shall own, operate, and maintain all equipment, facilities, tanks, buildings, materials, wells, and lines downstream of the Control Valve Assembly, except for the Sensor Line and Equipment, and shall be responsible for any malfunctions of said items, including tank overflows. Unless otherwise agreed to in writing by the Authority, the Person receiving Surface Water from the Authority shall at all times, at the Person's expense, maintain an air gap, in accordance with a location and specifications approved by the Authority, downstream of the Delivery Point before the water delivered by the Authority enters the Person's ground storage tank(s); provided, however, the Authority, at its option, may provide an alternative backflow prevention procedure or mechanism. Title to, possession, and control of Surface Water shall remain with the Authority until it passes through the Control Valve Assembly, where title to, possession, and control of the Surface Water shall pass from the Authority to the Person receiving same.

Section 5.07. Chloramine Disinfection. Usually, Surface Water delivered by the Authority will be disinfected with chloramines. Each Converted Customer is required to: (i) convert its water treatment system to a chloramine disinfection system, or install a chloramine disinfection system, prior to becoming a Converted Customer and no later than the date required by the Authority; and (ii) maintain use of such chloramine disinfection system thereafter for so long as such Converted Customer is connected to the Authority's System and for so long as the Surface Water delivered by the Authority is disinfected with chloramines. The Authority shall provide notice to each Person to be Converted to Surface Water of the required conversion to chloramines. It shall be the responsibility of each Converted Customer (and each Person that receives water from a Converted Customer, for example and without limitation, via a water interconnect), and not the Authority, to: (i) notify such Converted Customer's (or such Person's) water customers and water users about its conversion to and use of chloramine disinfection; (ii) comply with any applicable United States Environmental Protection Agency and Commission (and other applicable agency) regulations and requirements, and applicable laws; and (iii) comply with any applicable Commission regulations and requirements, including the variance process for chloramines conversion and approval for interconnections. Prior to completion of design (and commencement of construction) of the chloramine disinfection system required by this Section, the Person to be converted to Surface Water shall submit plans and specifications to the Authority's Engineer for review and approval. ANY SUCH APPROVAL DOES NOT RELIEVE THE PERSON, AND ITS ENGINEER, OF ADEQUATELY DESIGNING AND CONSTRUCTING THE FACILITIES AND ANY SUCH APPROVAL IS NOT AN ASSUMPTION BY THE AUTHORITY (OR THE AUTHORITY'S ENGINEER) OF RESPONSIBILITY OR LIABILITY FOR THE ADEQUACY (OR INADEQUACY) OF



SUCH PLANS AND SPECIFICATIONS OR THE FACILITIES CONSTRUCTED THEREBY, ALL OF SAME BEING EXPRESSLY DISCLAIMED.

Section 5.08. Daily Amount. The Authority, the Authority Engineer, or the Authority Operator may from time to time designate a maximum daily amount of Surface Water (the "Maximum Daily Amount") to be taken by a Person and/or a minimum daily amount of Surface Water ("Minimum Daily Amount") to be taken by a Person. In such event, during any one day, no Person shall take from the Authority more than either the Maximum Daily Amount or less than the Minimum Daily Amount. The Authority may from time to time increase or decrease a Person's Maximum Daily Amount and/or Minimum Daily Amount, as determined necessary by the Authority, the Authority Engineer, or the Authority Operator. If in violation of this Rate Order, and in addition to all other remedies available to the Authority (including, without limitation, those set forth in this Rate Order), a Person takes more than its Maximum Daily Amount or less than its Minimum Daily Amount in any one day, the Person shall be responsible for payment for any damages suffered by the Authority and payment for any charges incurred by the Authority related thereto (including, without limitation, any charges or fees charged to the Authority by Houston, the FBSD, or the HGSD).

Section 5.09. Quantity or Pressure of Water. Notwithstanding any provision of this Rate Order, and unless otherwise specified in a water supply commitment agreement, the Authority does not and will not guarantee to any Person a specific quantity or pressure of water for any purpose whatsoever. Unless such a water supply commitment agreement is in place, the above limitations on quantity and pressure may be inadequate to fulfill the Commission's regulations and requirements for capacity and water quality. In no case shall the Authority be liable for the failure or refusal to furnish water or any particular amount or pressure of water.

Section 5.10. Interruptions in Service. The Authority shall use reasonable efforts to deliver to any Person with whom the Authority has entered into a written water supply commitment agreement a constant and uninterrupted supply of Surface Water in the amount provided in such agreement. Notwithstanding any provision of this Rate Order or any applicable agreement entered into by the Authority, the Authority may interrupt, reduce, or cease deliveries of Surface Water if such interruption or reduction is necessary: (i) due to limitations in the Authority System or Houston's water system; (ii) in case of emergencies or breakdowns in the Authority System or Houston's water system; or (iii) for equipment installation, repairs, modifications, replacements, inspections, or maintenance on the Authority System or Houston's water system. In addition, the Authority may interrupt, reduce, or cease deliveries of Surface Water if such interruption or reduction is necessary for purposes of the Authority's GRP. The Authority shall have no liability to any Person for any damages caused by any interruption in service or any failure (partial or total) to deliver Surface Water.



Section 5.11. Maintenance of Groundwater Wells. In order to have an alternative water supply source in the event that the Authority's water service is interrupted or ceases for any reason, Persons that have converted, in whole or in part, to usage of Surface Water are strongly encouraged by the Authority to at all times: (i) maintain their existing groundwater well(s) and other groundwater facilities; and (ii) maintain water line interconnect(s) with other political subdivision(s) of this State that have functioning groundwater well facilities.

Section 5.12. Early Conversion. To the extent that a Person desires to purchase Surface Water for any reason in advance of the date that the Authority intends to provide Surface Water to such Person, such Person may submit a written request for Surface Water to the Authority, which request will be evaluated by the Authority, in its sole discretion, on economic feasibility, GRP cost, and other factors; and the Authority will determine, in its sole discretion, if such request can be satisfied, in what amount, and according to what time frame and terms.

Section 5.13. Compliance with GRP. Pursuant to the Act, the Authority is authorized to develop, prepare, revise, adopt, implement, enforce, manage, or participate in the GRP. The GRP may specify the measures to be taken to reduce groundwater withdrawals and the dates and extent to which Persons shall reduce or terminate withdrawal of groundwater and instead receive water from alternative sources. The Authority, the Authority's Engineer, and/or the Authority's Operator shall manage and enforce the GRP, including without limitation coordination with the FBSD or HGSD, monitoring compliance with the GRP, and enforcing the terms of the GRP. All Persons shall comply with the terms of the GRP and all other Authority orders and requirements (including, without limitation, those from the Authority Engineer or the Authority Operator) for the reduction of groundwater usage and the allocation of Surface Water. The Authority, the Authority Engineer, and/or the Authority Operator may from time to time issue groundwater reduction requirements to Persons in order to: (a) comply with or exceed FBSD or HGSD groundwater reduction requirements; (b) satisfy the terms of the GRP; and/or (c) allocate Surface Water among Persons, including requiring Persons to from time to time timely take Surface Water from the Authority in amounts determined by the Authority.

Section 5.14 Early-Conversion/Over-Conversion Credits. The Authority, and not the Person within the Authority's GRP, shall receive and be entitled to any early-conversion or over-conversion credits issued by the FBSD or HGSD consumed or utilized by any Person within the Authority's GRP. No Person within the Authority's GRP shall obtain (or attempt to obtain) for such Person's own benefit or the benefit of anyone other than the Authority or sell (or attempt to sell), any such early-conversion or over-conversion credits. If requested by the Authority, Persons within the Authority's GRP shall cooperate with the Authority in order to enable the Authority to receive such early-conversion or over-conversion credits.



Section 5.15. Inadequate Groundwater Facilities. Districts or users that need or desire Surface Water because they do not have adequate groundwater facilities (or for any other reason) may request a water supply commitment agreement from the Authority. At the Authority's discretion, the Authority may, according to terms and conditions acceptable to the Authority, enter into such an agreement. Only water supply commitment agreements guaranteeing quantity and pressure may be adequate to fulfill the Commission's regulations and requirements for capacity and water quality.

Section 5.16. Compliance of Person's Water System. In order to protect the Authority's water system, each Person's water system that is receiving Surface Water from the Authority, shall be constructed and operated to comply with the rules promulgated by the Commission, or any successor agency, and the policy requirements of Houston regarding backflow prevention and cross connections. Should a condition in violation of these requirements be discovered, such Person shall promptly cure same. If determined necessary by the Authority or if the Person fails to promptly cure same, the Authority, in addition to all other remedies available to it (including, without limitation, those provided in this Rate Order), may cure same, at the cost and expense of the Person. The Authority may conduct inspections from time to time to determine that no conditions exist in such Person's water system and in connections to the Person's customers' premises which would or might adversely affect the Authority System.

Section 5.17. Termination and Reconnection of Service. The Authority may, in its discretion, disconnect service for failure to pay all charges, including penalties and interest, by the 50th day after the Due Date; provided, however, that prior to disconnecting services, the Authority shall send written notice by United States first class mail to the Person at the appropriate address and provide the Person with an opportunity to contest, explain, or correct the charges, services, or disconnection, at a meeting of the Board. The written notice shall inform the Person of the amount of the delinquent payment, the date service will be disconnected or additional service withheld if payment is not made, the date, time, and place of the next scheduled meeting of the Board, and of the opportunity to contest, explain, or correct the charges, services, or disconnection, by presenting in person or in writing such matter to the Board at the next scheduled meeting as shown on the notice. The date specified for disconnection shall be ten (10) days after the date of the next scheduled meeting of the Board as shown in the notice, and the date for withholding additional service shall be ten (10) days after the date of that Board meeting. The notice shall be deposited, postpaid, in a post office or official depository under the care and custody of the United States Postal Service at least ten (10) days prior to the date of the scheduled meeting of the Board. A written statement by the Authority's operator that the notice was so mailed and a certificate of mailing by the United States Postal Service shall be prima facie evidence of delivery of same. If the Person appears before the Board in person or in writing, the Board shall hear and consider the matter and inform the Person of the Board's determination by sending written notice by United States first class mail to the



Person at the appropriate address. If service to a Person is disconnected for nonpayment of a delinquent bill or for any cause legally authorized, a reconnection fee of \$500 shall be paid prior to service being restored. In the event that the Authority's operator removes a Person's meter due to unauthorized reconnection of service subsequent to its termination by the Authority, a reinstallation fee of \$500 shall be paid prior to service being restored, which fee is in addition to any other fees imposed (including, without limitation, the reconnection fee).

Section 5.18. Authority Reimbursement to a Converted Customer. In lieu of the Authority designing or installing the Water Line Tank Connection or the Chloramine System (both defined below), the Authority has determined to require Persons that will become Converted Customers to design and install the Water Line Tank Connection and the Chloramine System and to allow certain of the related costs incurred by Converted Customers to be eligible for potential reimbursement from the Authority, as provided in this Section. Nothing in this Section shall be construed as limiting the Authority's right to require a Person, at the Person's sole cost, to: (i) convert to Surface Water, or (ii) install the Water Line Tank Connection or the Chloramine System. Unless agreed to otherwise in writing by the Board, the Converted Customer, and not the Authority, shall own, maintain, operate, and repair (and be responsible to obtain any appropriate insurance for) the Water Line Tank Connection and Chloramine System and also the Converted Customer's water plant buildings, tanks, and water wells. Notwithstanding the foregoing, nothing in this Section shall be construed as limited the Converted Customer's obligations as the receiving system to comply with Commission regulations and requirements. For example, in the event of a violation, the Commission will hold the Converted Customer responsible for any problems associated with the connection or chloramines system.

(a) If a written request for reimbursement is made by a Converted Customer to the Authority as set forth in this Section, then such Converted Customer may be eligible for Authority reimbursement of construction and engineering costs for the Water Line Tank Connection and the Chloramine System as follows:

- (i) The Converted Customer may be eligible for reimbursement of the actual and reasonable construction and engineering costs incurred by the Converted Customer to construct a segment of water line ("Water Line Tank Connection") from the Authority's water meter/vault facilities to such Customer's ground storage tank facilities (or other water plant facilities). A Converted Customer shall not be eligible for this reimbursement if the Converted Customer fails to execute a Realty Interest Document in favor of the Authority in a form and at the time required by the Authority, and at no expense to the Authority. The Authority may require that such Realty Interest Document, among other things, allow the Authority the right to: (i) install, own, operate, and maintain water line and/or meter facilities



and related appurtenances, and (ii) install, own, operate, and maintain sensor equipment on such Customer's ground storage tank facilities (or other water plant facilities) and electrical and control connections by conduit pipe (or other means) connecting such sensor equipment to the Authority's System. No costs for repair, maintenance, operation, upgrade, or replacement of the Water Line Tank Connection shall be eligible for reimbursement from the Authority. Such items that are ineligible for reimbursement include, but are not limited to, painting of water tanks beyond those areas that are affected by the conversion to chloramines disinfection system, modifications to a Converted Customer's facilities downstream of its water tanks, building modifications, and access modifications.

(ii) The Converted Customer may be eligible for reimbursement of the actual and reasonable construction and engineering costs incurred by the Converted Customer to convert its water treatment system from a chlorine disinfection system to a chloramine disinfection system ("Chloramine System"), including but not limited to adding ammonia storage and feed facilities, modifying chlorine storage and feed facilities, making control system modifications, and installing all necessary appurtenances thereto.

(iii) The purpose of this reimbursement is intended for costs associated with converting a pre-existing disinfection system to a chloramines disinfection system. Accordingly, unless approved in writing by the Authority, Persons scheduled by the Authority to become Converted Customers will not be eligible for a Chloramine System reimbursement on any new water plants constructed within three years before such time as Surface Water is generally available from the Authority, as determined by the sole discretion of the Authority. No costs for repair, maintenance, operation, upgrade, or replacement of a Chloramine System shall be eligible for reimbursement from the Authority. Such items that are ineligible for reimbursement include, but are not limited to, painting of water tanks beyond those areas that are affected by the conversion to chloramines disinfection system, modifications to a Converted Customer's facilities downstream of its water tanks, building modifications, and access modifications.

(b) Actual and reasonable engineering costs will be eligible for reimbursement in an amount not to exceed 25% of the actual and reasonable construction costs that are eligible and approved by the Authority for reimbursement under this Section if, and only if, such approved construction costs are less than or equal to \$500,000 for each water plant of the Converted Customer. If such approved construction costs are greater than \$500,000 for each water plant of the Converted Customer, then the percentage of



engineering costs eligible for reimbursement will be determined by the Board at the Board's sole discretion.

(c) Any reimbursement pursuant to this Section shall be subject to approval by the Authority's Engineer; and any such reimbursement shall be made in accordance with standards approved by the Authority's Engineer and the Board, which standards may change from time to time. Prior to completion of design (and commencement of construction) of the Water Line Tank Connection and Chloramine System, the Person to be converted to Surface Water shall submit plans and specifications to the Authority's Engineer for review and approval. The Authority's Engineer will provide written approval of the plans and specifications that are not eligible for reimbursement by the Authority in accordance with this Section. ANY SUCH APPROVAL DOES NOT RELIEVE THE PERSON, AND ITS ENGINEER, OF ADEQUATELY DESIGNING AND CONSTRUCTING THE FACILITIES AND ANY SUCH APPROVAL IS NOT AN ASSUMPTION BY THE AUTHORITY (OR THE AUTHORITY'S ENGINEER) OF RESPONSIBILITY OR LIABILITY FOR THE ADEQUACY (OR INADEQUACY) OF SUCH PLANS AND SPECIFICATIONS OR THE FACILITIES CONSTRUCTED THEREBY, ALL OF SAME BEING EXPRESSLY DISCLAIMED.

(d) Construction of the Water Line Tank Connection and the Chloramine System shall be done pursuant to the competitive bidding requirements of Chapter 49, Texas Water Code, or, if applicable, the Commission emergency approval of negotiated contracts under Section 49.274, Texas Water Code. In the event the Water Line Tank Connection and Chloramine System are constructed pursuant to a contract negotiated under said Section 49.274 (instead of a contract that was competitively bid pursuant to said Chapter 49), the Board may disapprove any amount of reimbursement sought by the Converted Customer if the Board determines that the reimbursement exceeds the costs that would have been incurred had the contract been competitively bid.

(e) Unless otherwise agreed to in writing by the Board in its sole discretion, the potential reimbursement eligibility set forth in this Section shall not be available until and after a Person becomes a Converted Customer. Accordingly, for example and without limitation, a Person that is not directly connected to the Authority's System but that receives water through a water interconnect with a Converted Customer shall not be eligible for the potential reimbursement described in this Section until and after such Person becomes a Converted Customer. In addition to and without limiting the other provisions of this Section, and in addition to any other remedies available to the Authority, some or all of the potential reimbursement eligible to a Converted Customer under this Section may be reduced or eliminated by the Board: (i) if the Converted Customer fails to install the Water Line Tank Connection and Chloramine System and commence receiving Surface Water by the date that the Authority is able to deliver Surface Water; or (ii) if the Converted Customer fails to submit a written request for reimbursement (with adequate supporting documentation) to the Authority within 180



days after the Person becomes a Converted Customer. No interest or interest expenses shall be included in any potential reimbursement eligible under this Section.

(f) A Converted Customer shall not be eligible for the reimbursement described in this Section if the Converted Customer fails to obtain approval of its plans and specifications by the Authority's Engineer in accordance with the provisions above.

(g) Any and all reimbursement pursuant to this Section shall be subject to Board approval, which approval may be granted or denied based on the Board's sole discretion. Any requests for variances from the reimbursement procedures and policies contained in this Section must be submitted to the Board in writing prior to a Person commencing the design of the Water Line Tank Connection or the Chloramine System. The Authority may require a Person to execute a receipt and release in a form acceptable to the Authority prior to receiving any reimbursement under this Section.

ARTICLE VI COLLECTION OF FEES

Section 6.01. Late Penalties and Interest. Payments of any fees, charges, or rates shall be considered delinquent if they are received more than 10 days after the Due Date (the "Delinquent Date"). A payment postmarked after the Delinquent Date shall be deemed delinquent. Payments of any fees, charges or rates received by the Authority after the Delinquent Date will be subject to a late penalty of 2% of the fees, charges, or rates due, and such 2% penalty shall be due to the Authority on the first day such fees, charges, or rates are late. Notwithstanding the foregoing, the 2% late penalty shall not exceed an amount of \$2,000. An additional 5% penalty (for a total penalty of the lesser of 7% or \$2,000 plus 5%) shall be imposed if the payment is received more than 30 days after the Due Date, and such additional 5% penalty shall be due to the Authority on the 31st day after the Due Date. Additionally, overdue amounts (including late penalties) shall accrue interest, from the day after the Delinquent Date until the day the overdue amount is paid to the Authority, at an annual interest rate ("Interest Rate") of 4.25%. On September 1st of each calendar year (the "Current Calendar Year"), the Interest Rate shall automatically reset to the lesser of: (1) one percent plus the prime rate as published in the Wall Street Journal on the first day of July of the current calendar year that does not fall on a Saturday or Sunday; or (2) one percent plus the prime rate as published in the Wall Street Journal on the first day of July of the year preceding the current calendar year that does not fall on a Saturday or Sunday. (For example, if said prime rate was 3.25% on July 1, 2012 and is 5% on July 1, 2013, then on September 1, 2013, the Interest Rate shall be 3.25% plus 1%, or 4.25% per annum.)

Section 6.02. Collection Costs. If the Authority is required to incur costs to collect an overdue account, all such costs, including court costs, reasonable attorney's fees, and expenses, shall be paid by the delinquent Person, and the Authority shall be entitled to collect such costs in any suit for collection of a delinquent account.



Section 6.03. Expulsion from GRP. The Board may exclude a Person, or any territory or Well owned or controlled by a Person, from the GRP for failure to make a complete or timely payment to the Authority of fees, user fees, rates, penalties, interest, or any other charges due to the Authority.

ARTICLE VII AUTHORITY RULES

Section 7.01. Self-Reporting Violations. Each Non-Exempt Well owner and Surface Water user shall be responsible for reading the meter(s) to measure the amount of water pumped from each Non-Exempt Well and the amount of Surface Water received at the end of each month and for accurately reporting, in the manner provided in this Rate Order, such measurements (even if the measurements show zero pumpage or zero Surface Water usage) to the Authority on the form promulgated by the Authority on or before the due date. The Authority reserves the right to request more frequent reporting, at its sole discretion. Failure to make such measurements, or failure to accurately or timely report them to the Authority, shall be a violation of the Authority's rules. If a Person reports higher pumpage or higher Surface Water usage to the FBSD or HGSD than the Person reported to the Authority, the Authority shall be entitled to find that such Person did not accurately report to the Authority and therefore violated the Authority's rules.

Section 7.02. Failure to Comply with Measurement Requirements. Each Non-Exempt Well owner and Surface Water user is required to comply with the provisions of this Rate Order, including without limitation, allowing the Authority the right to: (1) audit Well pumpage and Surface Water usage; (2) read the Well owner's meter and the Surface Water meter; (3) enter the Well owner's land to audit and/or measure Well pumpage and Surface Water usage; (4) test and recalibrate, if necessary, the Well owner's meter and the Surface Water meter. Failure of the Well owner to comply with such provisions, or any other provision of this Rate Order, shall be a violation of the Authority's rules.

Section 7.03. Calibration of Meters. Each Non-Exempt Well owner is responsible for keeping its Well meter at least 95% accurate. It shall be a violation of the Authority's rules for any Well owner who knows or should reasonably know that its Well meter is less than 95% accurate to fail to promptly correct such meter and to correct any reports previously made to the Authority of inaccurate data.

Section 7.04. Payment Violations. Each Person shall be responsible for paying the Authority the GRP Fees, Surface Water Fees, Imported Water Fees, and any other charges (including, without limitation, any penalties and interest) due the Authority on or before the due date. Failure to make such payment when due shall be a violation of the Authority's rules.



Section 7.05. GRP. Each Person shall be responsible to promptly comply with the GRP and all directives and requirements issued by the Authority, the Authority Engineer, or the Authority Operator for the purposes of or related to the GRP, including, without limitation, all requirements that the Person: (i) take (or refrain from taking) amount(s) of Surface Water from time to time required by the Authority; and (ii) install the Water Line Tank Connection and Chloramine System by the date the Authority is able to deliver Surface Water to the Person. In addition, no Person shall utilize the Shut-off Valve(s) to control the rate of flow of Surface Water being delivered by the Authority, as such Shut-off Valves are intended only to be used in the event a waterline needs to be taken out of service. Failure to comply with the provisions of this Section shall be a violation of the Authority's rules.

Section 7.06. Daily Amount. If the Authority, Authority Engineer, or Authority Operator has designated a Maximum Daily Amount or Minimum Daily Amount for a Person connected to the Authority System, then such Person shall be responsible to take no more than its Maximum Daily Amount and no less than its Minimum Daily Amount during any one day. Failure to so comply shall be a violation of the Authority's rules.

Section 7.07. Water Conservation Program. To encourage efficient use of water, the Authority requires Non-Exempt Well owners and/or Persons receiving Surface Water to (i) approve and submit to the Authority by May 1, 2012 (or prior to receiving Surface Water if delivery shall occur after May 1, 2012), a water conservation plan meeting or exceeding the minimum State requirements for retail water providers with 3,300 or more connections, and (ii) submit Annual Reports documenting the implementation of the water conservation plan to the Authority by May 1st of each year on the Annual Report form promulgated by the Texas Water Development Board. If such Person intends to resell the Surface Water to a wholesale customer of such Person, then the Person shall require its wholesale customer to also implement water conservation measures pursuant to 30 Texas Administrative Code § 288.

Section 7.08. Right of Entry. Each Person shall be responsible: (1) to timely comply with the Section of this Rate Order entitled "Right to Enter Land"; and (2) to not prevent or hinder the Authority's rights under the Section of this Rate Order entitled "Right to Enter Land." Failure to do so shall be a violation of the Authority's rules.

Section 7.09. Authority Rules and Orders. All requirements set forth in this Article VII are adopted as rules of the Authority. All requirements and rules set forth in any part of this Rate Order shall be considered orders of the Authority.

Section 7.10. Interconnect Agreements. In order for the Authority to maintain an accurate inventory of the interconnects for all of the Non-Exempt Well owners and/or Persons within its boundaries, each Non-Exempt Well owner and/or Person that is a party to an interconnect agreement, regardless of whether or not the other party is located within the boundaries of the Authority, must submit copies of all interconnect



agreements currently in effect or entered into in the future to the Authority. A copy of each interconnect agreement currently in effect must be submitted by September 1, 2012, and copies of interconnect agreements entered into after July 25, 2012 must be submitted by September 1, 2012 or within 30 days of execution. Further, as of October 1, 2012, any new interconnects constructed for the benefit of a Non-Exempt Well owner and/or Person located within the Authority's boundaries with parties located outside of the Authority's boundaries must be metered. Interconnects in which all parties are located within the Authority's boundaries or interconnects that were constructed prior to October 1, 2012 with parties outside of the Authority's boundaries shall not be subject to this requirement.

Section 7.11 Regional System Agreements. If a Non-Exempt Well is part of a regional system, the Non-Exempt Well owner must submit the agreement relating to such regional system, including the regional system's participating entities and/or persons, to the Authority by September 1, 2012. If any new agreements and/or amendments relating to Non-Exempt Wells within regional systems are entered into after July 25, 2012, such agreement and/or amendment must be submitted to the Authority by September 1, 2012 or within 30 days of execution.

Section 7.12. Contact Information Submission. In order to have accurate contact information to be able to readily contact all Non-Exempt Well owners in the case of an emergency or to transmit other necessary communication, each Non-Exempt Well owner has the responsibility to inform the Authority of the key persons involved with their system, including, as applicable, the Non-Exempt Well owner's operator, engineer, bookkeeper, attorney, and management company. Should the contact information for any of the foregoing persons change, the Non-Exempt Well owner should submit notification to the Authority as soon as reasonably practicable.

ARTICLE VIII CIVIL PENALTIES AND MISCELLANEOUS

Section 8.01. Civil Penalty. A Person is subject to a civil penalty of up to \$5,000 for each violation or each day of a continuing violation if the Person: (i) violates any provision of this Rate Order, the GRP, any rules contained in either of same, or any other order or rule of the Authority, (ii) makes unauthorized use of Authority services or facilities, or (iii) causes damage to Authority facilities by using such facilities in a manner or for a purpose contrary to the purpose for which such facilities were designed. The Board may set the penalty based on (all as determined by the Board): (i) the severity of the offense; (ii) whether such violation was willful, knowing, reckless, or inadvertent; (iii) the history of conduct by such Person; (iv) the damages sustained by the Authority; (v) the risk or damage to the GRP; and (vi) any other factors determined appropriate by the Board. The Authority may bring an action to recover the penalty in a district court in the county where the violation occurred. The penalty shall be paid to the Authority.



Section 8.02. Termination for Rate Order or GRP Violations. Any Person who violates any provision of this Rate Order or the GRP in addition to being subject to the penalties described in this Rate Order, shall be subject to having service terminated; provided, however, that prior to disconnecting service for violations that do not constitute a hazard to health or safety or endanger the integrity of the Authority's system or adversely affect the Authority's GRP, the Authority shall give written notice by first class mail or otherwise, to such Person of the pending disconnection, and shall give such Person the opportunity to contest, explain, or correct the violation at a meeting of the Board. Such disconnection shall be in addition to penalties that may be imposed by the Authority under this Rate Order and remedies that may otherwise be available to the Authority.

Section 8.03. Injunction. The Authority may bring an action for injunctive relief in a district court in the county where a violation of an authority rule or order occurs or is threatened to occur. The Authority may bring an action for a civil penalty and injunctive relief in the same proceeding

Section 8.04. Right to Enter Land. In addition to any other rights that the Authority may have (by easement or otherwise), the Authority and its representatives shall have the authority to enter upon any public property (including, without limitation, property owned by a District) or private property within the Authority's boundaries or property adjacent to any property owned by the Authority (and enter upon any property owned by a District included in the Authority's GRP by contract) at any reasonable time in order to: (1) inspect, repair, install, test, maintain, or operate any Authority facilities or to test or monitor the Surface Water delivered by the Authority; (2) audit Well pumpage or Surface Water measurements submitted by a Person to the Authority; (3) measure Well pumpage or Surface Water usage; (4) inspect and investigate conditions relating to the quality of water in the State of Texas; and/or (5) investigate compliance with any Authority rule, regulation, permit, or order. If requested by the Authority or Authority Operator, a Person shall immediately cooperate with the Authority or Authority Operator to allow the Authority or Authority Operator to enter such site(s) for any of such purposes. Authority representatives entering private property pursuant to this Section shall observe the establishment's rules and regulations concerning safety, internal security, and fire protection and shall notify any occupant or management of their presence and shall exhibit proper credentials.

Section 8.05. Groundwater Reduction Plan Participation Agreements. Any Person that is a member or participant of the Authority's GRP through a written contract with the Authority shall be subject to all of the terms, provisions, rules, requirements, and penalties of this Rate Order and all other orders, resolutions, and requirements of the Authority, to the extent they are not inconsistent with the terms and provisions of such written contract.



Section 8.06. Prior Resolutions Establishing Groundwater Reduction Plan Fees and Rate Orders. The Authority retains all of its rights and remedies under all prior Authority Resolutions Establishing Groundwater Reduction Plan Fee, as amended.

Section 8.07. Amendments to Rate Order and GRP. As determined necessary by the Authority, the Authority reserves the right to modify from time to time: (1) the rates, charges, and fees contained in this Rate Order; (2) any other terms and provisions of this Rate Order; and (3) its GRP.

Section 8.08. Authority Designee. The Authority hereby designates the Board President, Board Vice President, Board Assistant Vice President, the Authority Engineer, and/or the Authority Operator to exercise the Authority's powers under its GRP and this Rate Order.

Section 8.09. Refusal to Add Persons to GRP. The Board, at its discretion, may refuse to add Persons (and their wells) to the GRP, including, without limitation, any Person seeking to be re-admitted to the GRP who at any time had been removed from the GRP because the Person's groundwater pumpage reduced below the amount required for the Person to be subject to FBSD or HGSD groundwater reduction requirements.

Section 8.10. No Waiver. The failure of the Authority to insist, in any one or more instances, upon a Person's performance of any of the terms, requirements, or conditions of this Rate Order shall not be construed as a waiver or relinquishment of the future performance of any such term, requirement or condition by that Person or any other Person.

Section 8.11. Lien. Pursuant to Section 8813.108, fees and user fees imposed by the Authority under Section 8813.103(b), any related penalties and interest, collection expenses, and reasonable attorney's fees incurred by the Authority are a first and prior lien against the well to which the fees or user fees apply. The Authority may enforce said lien in any manner provided by the Act or other law.

[EXECUTION PAGE FOLLOWS]



ADOPTED THIS 19TH DAY OF DECEMBER, 2013.

NORTH FORT BEND WATER AUTHORITY

By: *Robert Fath*
Vice President, Board of Directors

ATTEST:

By: *Melony Say*
Secretary, Board of Directors

(SEAL)



EXHIBIT A
NORTH FORT BEND WATER AUTHORITY
Pumpage/Surface Water and Billing Form Effective January 1, 2014

Name of Well Owner or Recipient of Surface Water: _____
 Identify: Well #1: _____; Well #2: _____; Well #3: _____; Well #4: _____
 Identify: Meter #1: _____; Meter #2: _____; Meter #3: _____; Meter #4: _____

Check the billing period for which this report is being filed

	<i>Billing Period</i>	<i>Rate</i>	<i>Due Date</i>
<input type="checkbox"/>	January 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	February 28, 20__
<input type="checkbox"/>	February 1-28/29, 20__	\$2.20 pumpage/ \$2.55 surface	March 31st, 20__
<input type="checkbox"/>	March 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	April 30, 20__
<input type="checkbox"/>	April 1-30, 20__	\$2.20 pumpage/ \$2.55 surface	May 31, 20__
<input type="checkbox"/>	May 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	June 30, 20__
<input type="checkbox"/>	June 1-30, 20__	\$2.20 pumpage/ \$2.55 surface	July 31, 20__
<input type="checkbox"/>	July 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	August 31, 20__
<input type="checkbox"/>	August 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	September 30, 20__
<input type="checkbox"/>	September 1-30, 20__	\$2.20 pumpage/ \$2.55 surface	October 31, 20__
<input type="checkbox"/>	October 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	November 30, 20__
<input type="checkbox"/>	November 1-30, 20__	\$2.20 pumpage/ \$2.55 surface	December 31, 20__
<input type="checkbox"/>	December 1-31, 20__	\$2.20 pumpage/ \$2.55 surface	January 31, 20__

Gallons of Water Pumped, Imported, of Purchased for Billing Period

	Start Meter Reading	End Meter Reading	Total
Well #1			
Well #2			
Well #3			
Well #4			
Imported Water			
Surface Water			
For additional wells, attach a second reporting form and put total from all wells below.			
ALL			

1	Enter total gallons of water pumped	
2	Divide by 1,000	
3	Total pumpage fee due (multiply line 2 x 2.20)	
4	Enter total gallons of surface water received	
5	Divide by 1,000	
6	Total surface water fee due (multiply line 5 x 2.55)	
7	Enter total gallons of water imported	
8	Divide by 1,000	
9	Total fee due (multiply line 8 x 2.20 or 2.55)	
10	LESS APPLICABLE CREDIT DUE FROM CAPITAL CONTRIBUTION	
11	Total due (add lines 3, 6, 9, and 10)	

I declare that the above information is true and correct to the best of my knowledge and belief.

Dated: _____ By: _____

Name: _____ Title: _____

If your payment is received late (as defined in the Authority's Amended Rate Order) the Authority will send you an invoice for the late penalties and interest set forth in the Authority's Amended Rate Order.

Make check payable to: North Fort Bend Water Authority; c/o _____ **(rates effective 1/1/2014)**



EXHIBIT B

NEW WELL OR ACTIVITY STATUS CHANGE REQUEST FORM





New Well Application or Activity Status Change Request

- This Application applies to wells located within the NFBWA boundary and GRP Contract participants that are classified as non-exempt per Fort Bend Subsidence District (FBSD) Regulations. Exempt well owners should contact the FBSD.
- Please complete form and email to nfbwa@browngay.com or fax to NFBWA at 713-488-8250.
- Note that it may take up to 60 days to process your request in order to allow for Board action.

A. For New Wells - I am applying For:

- Authorization to Drill a Well
- Inclusion in the Authority's Well Permit (Well must be authorized PRIOR to applying for inclusion)

For Existing Wells:

- Well is currently inactive, but wishes to reactivate (Note: this does not grant you a permit, only reactivates your well)
- Well is currently active and under Authority's permit, but will become inactive (Only complete sections C and D)

B. Emergency Applications:

If this is an emergency request, please describe, in detail, why the need for this well is urgent. Otherwise, proceed to section C.

C. Owner: Entity that Owns the Well

Name:

Attention:

Phone: Ext.

Email:

City: State: Zip:

Check if owner information has changed:

D. Applicant: Person Completing & Submitting this Form (If different from above)

Name:

Phone: Ext.

Email:

E. Physical Characteristics of Well

Location of Well:
(Address, if applicable, or general description)



Latitude: Degrees: Minutes: Seconds:

Longitude: Degrees: Minutes: Seconds:

Well Depth: ft.

Inside Diameter of Casing: in.

Well Casing (select one): Schedule 40 Schedule 80 SDR

F. Well Usage:

Expected Pumpage during next 12 Months:

Intended Use (Select one):

- Public Supply - Wells used for retail or wholesale water supply
- Commercial/Domestic - Wells used for commercial or business establishments for potable/sanitary needs
- Industrial - Wells used as part of an industrial process or in the manufacturing of a product
- Other - Wells used for other uses such as livestock watering, filling ponds/amenity lakes, irrigation of parks & golf courses, etc.

***A well with casing diameter less than 5 inches that serves only a single family dwelling is exempt and does not need to be included in the Authority's permit. For these wells, you must apply through the Fort Bend Subsidence District.

Detailed Description:

Alternative Water Supply at location (municipal water line, canal/raw water source for non-potable use, etc.)

Status of Well:

- Not Yet Drilled
- Being Drilled Estimated Completion Date:
- Already Drilled Completion Date:

Please email completed form to nfbwa@brownngay.com or fax to NFBWA at 713-488-8250.



C39. Fort Bend County Assessed Value

OFFICIAL STATEMENT

Dated April 14, 2015

Ratings:
Moody's: "Aa1"
Fitch: "AA+"
See ("OTHER INFORMATION –
Ratings" herein)

NEW ISSUE - Book-Entry-Only

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS AND CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL.

\$52,220,000
FORT BEND COUNTY, TEXAS
UNLIMITED TAX ROAD AND REFUNDING BONDS
SERIES 2015A

\$93,370,000
FORT BEND COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS
SERIES 2015B

Dated Date: May 1, 2015

Due: March 1, as shown on inside cover

PAYMENT TERMS . . . Interest on the \$52,220,000 Fort Bend County, Texas, Unlimited Tax Road and Refunding Bonds, Series 2015A (the "Series 2015A Bonds") and the \$93,370,000 Fort Bend County, Texas, Limited Tax Refunding Bonds, Series 2015B (the "Series 2015B Bonds," and together with the Series 2015A Bonds, the "Bonds") will accrue from May 1, 2015 (the "Dated Date") and will be payable September 1 and March 1 of each year, commencing September 1, 2015, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the beneficial Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Wells Fargo Bank, N.A., Minneapolis, Minnesota (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE OF THE SERIES 2015A BONDS . . . The Series 2015A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1207 and 1471, Texas Government Code, as amended, an election held within Fort Bend County, Texas (the "County") on May 12, 2007, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2015A Bonds (the "Series 2015A Order"). The Series 2015A Bonds are direct obligations of the County, payable from a continuing ad valorem tax levied on all taxable property within the County, without legal limit as to rate or amount (see "THE BONDS – AUTHORITY FOR ISSUANCE").

AUTHORITY FOR ISSUANCE OF THE SERIES 2015B BONDS . . . The Series 2015B Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2015B Bonds (the "Series 2015B Order"). The Series 2015B Bonds are direct obligations of the County, payable from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law (see "THE BONDS – AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Series 2015A Bonds will be used (i) for the construction, purchase, maintenance and operation of macadamized, graveled and paved roads and turnpikes, (ii) to advance refund and defease certain obligations of the County described in Schedule I (the "Refunded Unlimited Tax Bonds"), and (iii) to pay the costs of issuance of the Series 2015A Bonds.

Proceeds from the sale of the Series 2015B Bonds will be used (i) to advance refund and defease certain obligations of the County described in Schedule I (the "Refunded Limited Tax Bonds," and together with the Refunded Unlimited Tax Bonds, the "Refunded Bonds"), and (ii) to pay the costs of issuance of the Series 2015B Bonds.

SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinions of the Attorney General of Texas and the legal opinions of Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas (see APPENDIX C, "FORM OF BOND COUNSEL'S OPINIONS"). Certain legal matters will be passed upon for the County by Andrews Kurth LLP, Houston, Texas, Issuer's Disclosure Counsel and for the Underwriters by Haynes and Boone, LLP and Bates and Coleman, P.C., Houston, Texas, Co-Underwriters' Counsel.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on May 13, 2015.

CITIGROUP

LOOP CAPITAL MARKETS

BOSC INC.

A subsidiary of BOK Financial Corporation

ESTRADA HINOJOSA & COMPANY INC.

STIFEL NICOLAUS & COMPANY INCORPORATED

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2014/2015 Certified Appraised Value by Fort Bend Central Appraisal District
(excluding totally exempt property) \$ 57,517,166,488

Less Exemptions/Reductions at 100% Market Value:

Residential Homestead Exemptions	\$ 5,920,081,475	
Over 65 Exemptions	2,192,286,633	
Disabled & Deceased Veteran's Exemptions	367,196,325	
Lease Vehicle Exemption	129,723,804	
Abatements	289,720,050	
Productivity Loss	2,202,474,830	
Pollution	307,246,460	
House Bill 366	246,088	
Historical	13,075,671	
Community Housing Development	4,490,000	
Prorated Exempt Property	7,033,896	
10% Homestead Cap Adjustment	362,670,741	11,796,245,973

2014/2015 Taxable Assessed Valuation \$ 45,720,920,515

County Funded Debt Payable from Ad Valorem Taxes (as of April 1, 2015)

Limited Tax Bonds ⁽¹⁾	\$ 162,045,000	
Unlimited Tax Road Bonds ⁽²⁾	173,955,000	
Unlimited Tax Toll Road Bonds ⁽³⁾	115,885,000	
Fort Bend Flood Control Water Supply Corp. Revenue Bonds	5,640,000	
Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax Bonds ⁽⁴⁾	155,085,000	

County Funded Debt Payable from Ad Valorem Taxes \$ 612,610,000

Ratio Tax Supported Gross Debt to Taxable Assessed Valuation 1.34%

2015 Population Estimate - 677,770 ⁽⁵⁾
Per Capita Taxable Assessed Valuation - \$66,675
Per Capita Tax Debt - \$893

- (1) Includes the Series 2015B Bonds and excludes the Refunded Limited Tax Bonds.
(2) Includes the Series 2015A Bonds and excludes the Refunded Unlimited Tax Bonds.
(3) The Subordinate Lien Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Subordinate Lien Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Subordinate Lien Toll Road Bonds. See "DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS" herein.
(4) The County has a joint project agreement with the Fort Bend Grand Parkway Toll Road Authority ("FBGPTRA") in which it agrees to make payments to the FBGPTRA, calculated annually and equal to the debt service on the FBGPTRA's bonds less the estimated amount of available net toll revenues. See "DEBT INFORMATION – FORT BEND GRAND PARKWAY TOLL ROAD BONDS." The County has not yet been required to levy any taxes for this purpose.
(5) Source: the County.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Tax Year					
	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 38,197,156,012	66.41%	\$ 34,939,222,040	66.00%	\$ 32,696,769,609	65.21%
Real, Residential, Multi-Family	1,492,817,879	2.60%	1,223,124,193	2.31%	1,038,540,000	2.07%
Real, Vacant Lots/Tracts	854,963,794	1.49%	910,690,568	1.72%	961,783,939	1.92%
Real, Acreage (Land Only)	2,455,020,886	4.27%	2,405,933,092	4.54%	2,535,052,048	5.06%
Real, Farm and Ranch Improvements	380,697,030	0.66%	368,553,330	0.70%	348,241,112	0.69%
Real, Commercial and Industrial	7,759,852,998	13.49%	7,241,630,477	13.68%	7,134,533,264	14.23%
Real, Oil, Gas & Other Mineral Reserves	256,495,180	0.45%	262,592,210	0.50%	333,441,300	0.66%
Real and Tangible Personal, Utilities	754,452,129	1.31%	627,521,930	1.19%	615,750,037	1.23%
Tangible Personal, Commercial and Industrial	4,181,424,859	7.27%	3,979,309,449	7.52%	3,599,878,815	7.18%
Tangible Personal, Other	62,049,925	0.11%	60,883,115	0.12%	55,486,280	0.11%
Real, Inventory	999,071,390	1.74%	793,911,390	1.50%	730,016,310	1.46%
Special Inventory	109,766,186	0.19%	102,899,736	0.19%	84,571,490	0.17%
Intangible Property and/or Uncertified Property	13,398,220	0.02%	25,039,550	0.05%	9,027,243	0.02%
Total Appraised Value Before Exemptions	\$ 57,517,166,488	100.00%	\$ 52,941,311,080	100.00%	\$ 50,143,091,447	100.00%
Less: Total Exemptions/Reductions	11,796,245,973		10,963,642,810		10,703,144,393	
Taxable Assessed Value	\$ 45,720,920,515		\$ 41,977,668,270		\$ 39,439,947,054	

Category	Tax Year			
	2011		2010	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 31,039,400,739	64.21%	\$ 32,405,502,925	64.81%
Real, Residential, Multi-Family	985,883,440	2.04%	974,134,090	1.95%
Real, Vacant Lots/Tracts	982,287,088	2.03%	1,017,512,443	2.04%
Real, Acreage (Land Only)	2,536,288,590	5.25%	2,640,019,515	5.28%
Real, Farm and Ranch Improvements	331,068,370	0.68%	336,375,780	0.67%
Real, Commercial and Industrial	7,050,117,340	14.58%	7,186,318,692	14.37%
Real, Oil, Gas & Other Mineral Reserves	273,529,460	0.57%	334,652,480	0.67%
Real and Tangible Personal, Utilities	661,509,515	1.37%	680,505,438	1.36%
Tangible Personal, Commercial and Industrial	3,611,035,498	7.47%	3,519,402,303	7.04%
Tangible Personal, Other	55,860,570	0.12%	56,757,845	0.11%
Real, Inventory	729,776,091	1.51%	789,447,630	1.58%
Special Inventory	74,140,120	0.15%	46,825,140	0.09%
Intangible Property and/or Uncertified Property	10,398,285	0.02%	10,051,655	0.02%
Total Appraised Value Before Exemptions	\$ 48,341,295,106	100.00%	\$ 49,997,505,936	100.00%
Less: Total Exemptions/Reductions	10,306,807,994		10,994,891,710	
Taxable Assessed Value	\$ 38,034,487,112		\$ 39,002,614,226	

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

C39. Fort Bend County Tax Assessed Values

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended Sept 30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year ⁽³⁾	Ratio of Tax Supported		Tax Year
					Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita	
2010	581,830	\$ 39,338,322,831	\$ 67,611	\$ 467,300,000	1.19%	\$ 803	2009
2011	606,786	39,002,614,226	64,277	452,755,000	1.16%	746	2010
2012	639,969	38,034,487,112	59,432	437,810,000	1.15%	684	2011
2013	643,408	39,439,947,054	61,299	468,360,000	1.19%	728	2012
2014	652,365	41,977,668,270	64,347	448,570,000	1.07%	688	2013
2015	677,770	45,720,920,515	67,458	457,525,000 ⁽⁴⁾	1.00% ⁽⁴⁾	675 ⁽⁴⁾	2014

(1) Source: Fort Bend Economic Development Council.

(2) As reported by the Fort Bend Central Appraisal District; subject to change during the ensuing year.

(3) Includes general obligation toll road system debt. The Subordinate Lien Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Subordinate Lien Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Subordinate Lien Toll Road Bonds. See "DEBT INFORMATION - FORT BEND COUNTY TOLL ROAD BONDS" herein.

(4) Includes the Bonds and excludes the Refunded Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Tax Levy	% Current Collections ⁽¹⁾	% Total Collections ⁽²⁾
2010	\$0.49976	\$ 197,186,186	98.79%	99.82%
2011	0.49976	195,336,172	98.93%	99.81%
2012	0.49976	197,641,781	99.22%	99.77%
2013	0.49976	205,745,210	99.36%	99.71%
2014	0.49976	220,723,659	99.40%	99.40%
2015	0.49476	238,146,134	95.49% ⁽³⁾	95.49% ⁽³⁾

(1) Collected within the Fiscal Year of the levy.

(2) As of September 30, 2014 for each respective year's levy.

(3) Collections as of February 28, 2015.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Tax Year				
	2014	2013	2012	2011	2010
General Fund	\$ 0.37826	\$ 0.38076	\$ 0.37776	\$ 0.38184	\$ 0.38100
Road & Bridge Fund	0.02850	0.03100	0.02800	0.03032	0.02770
Debt Service Fund ⁽¹⁾	0.06600	0.07300	0.07500	0.06880	0.07146
Drainage District	0.02200	0.01500	0.01900	0.01880	0.01960
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	<u>\$ 0.49476</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>

(1) The debt service fund tax includes a levy for unlimited tax bonds which are not subject to a constitutional tax limit as to rate or amount. See "THE BONDS - TAX RATE LIMITATION."

North Fort Bend Water Authority
Water Rate and Pumpage Fee Model - TWDB Application for NEWPP

Year Ended	Rates and Fees						Expenses			
	Surface Water MGD	Rate Per 1000 MDG	Pumpage Fee MGD	Rate Per 1000 MDG	Total Entity Credits	Re-Use Conservation	Gross Revenue	System Operation and Maintenance Expenses	Net Revenue Available for Debt Service	
								Total		
2018	15.0310	3.70	22.5800	3.35	(272,988)	(1,656,000)	45,980,073	(9,200,000)	(9,200,000)	36,780,073
2019	15.0660	3.70	25.1240	3.35	(272,988)	(1,656,000)	49,138,016	(9,200,000)	(9,200,000)	39,938,016
2020	15.1010	3.70	28.0190	3.35	(272,988)	(1,656,000)	52,725,145	(9,200,000)	(9,200,000)	43,525,145
2021	15.1250	3.70	30.2600	3.35	(272,988)	(1,656,000)	55,497,740	(11,200,000)	(11,200,000)	44,297,740
2022	15.1470	3.70	32.5300	3.35	(272,988)	(1,656,000)	58,303,093	(11,200,000)	(11,200,000)	47,103,093
2023	15.8350	3.70	35.2470	3.35	(272,988)	(1,656,000)	62,554,449	(11,200,000)	(11,200,000)	51,354,449
2024	16.9110	3.70	37.6400	3.35	(272,988)	(1,656,000)	66,933,628	(11,200,000)	(11,200,000)	55,733,628
2025	37.7800	3.70	20.3430	3.35	(272,988)	(1,656,000)	73,967,305	(11,200,000)	(11,200,000)	62,767,305
2026	39.8380	3.70	21.4510	3.35	(272,988)	(1,656,000)	78,101,441	(11,200,000)	(11,200,000)	66,901,441
2027	41.9260	3.70	22.5760	3.35	(272,988)	(1,656,000)	82,296,879	(11,200,000)	(11,200,000)	71,096,879
2028	44.0520	3.70	23.7200	3.35	(272,988)	(1,656,000)	86,566,868	(11,200,000)	(11,200,000)	75,366,868
2029	46.2470	3.70	24.9020	3.35	(272,988)	(1,656,000)	90,976,506	(11,200,000)	(11,200,000)	79,776,506
2030	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2031	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2032	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2033	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2034	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2035	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2036	48.4880	3.70	26.1030	3.35	(272,988)	(1,656,000)	95,471,499	(11,200,000)	(11,200,000)	84,271,499
2037	48.4880	3.70	26.1030	3.35	(66,900)	(1,656,000)	95,677,587	(11,200,000)	(11,200,000)	84,477,587
2038	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2039	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2040	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2041	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2042	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2043	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2044	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2045	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2046	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2047	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2048	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2049	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2050	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2051	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2052	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2053	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487
2054	48.4880	3.70	26.1030	3.35		(1,656,000)	95,744,487	(11,200,000)	(11,200,000)	84,544,487

North Fort Bend Water Authority
Water Rate and Pumpage Fee Model - TWDB Application for NEWPP

Year Ended	Senior Lien			Junior Lien									Total Debt Service	Capitalized Interest	Net Total Senior and Junior Lien Debt
	Outstanding Bonds	BABs Rebate	Total Debt Service	Outstanding Bonds	Series 2018	Series 2019	Series 2020	Series 2021	Series 2022	Series 2023	Series 2024				
2018	21,229,195	(369,554)	20,859,641	4,294,936									4,294,936	(5,602,897)	19,551,680
2019	21,230,683	(369,554)	20,861,128	3,997,217	1,918,050	-	-	-	-	-	-	-	5,915,267	(1,918,050)	24,858,345
2020	21,227,638	(369,554)	20,858,083	3,997,205	3,331,951	-	-	-	-	-	-	-	7,329,156	-	28,187,239
2021	21,224,281	(369,554)	20,854,727	4,006,376	3,331,951	-	1,050,000	-	-	-	-	-	8,388,327	(1,050,000)	28,193,054
2022	21,231,750	(369,554)	20,862,196	4,009,702	3,331,951	-	1,824,013	-	-	-	-	-	9,165,666	-	30,027,862
2023	21,228,425	(369,554)	20,858,871	4,017,141	3,331,951	-	1,824,013	-	332,400	-	-	-	9,505,506	(332,400)	30,031,977
2024	21,223,225	(382,611)	20,840,614	4,028,498	3,331,951	-	1,824,013	-	577,431	58,650	-	-	9,820,544	(58,650)	30,602,507
2025	21,227,644	(395,668)	20,831,975	4,033,340	3,331,951	-	1,824,013	-	577,431	101,884	-	-	9,868,619	-	30,700,595
2026	21,229,594	(395,668)	20,833,925	4,036,983	3,331,951	-	1,824,013	-	577,431	101,884	-	-	9,872,262	-	30,706,188
2027	21,229,844	(395,668)	20,834,175	4,044,122	3,331,951	-	1,824,013	-	577,431	101,884	-	-	9,879,402	-	30,713,577
2028	21,226,656	(395,668)	20,830,988	7,304,135	3,331,951	-	1,824,013	-	577,431	101,884	-	-	13,139,414	-	33,970,402
2029	21,230,406	(395,668)	20,834,738	7,349,972	3,331,951	-	1,824,013	-	577,431	101,884	-	-	13,185,251	-	34,019,989
2030	21,231,294	(395,668)	20,835,625	7,384,268	3,331,951	-	1,824,013	-	577,431	101,884	-	-	13,219,547	-	34,055,173
2031	21,228,019	(395,668)	20,832,350	7,418,244	3,331,951	-	1,824,013	-	577,431	101,884	-	-	13,253,523	-	34,085,874
2032	21,152,043	(322,475)	20,829,569	7,441,534	3,331,951	-	1,824,013	-	577,431	101,884	-	-	13,276,814	-	34,106,382
2033	21,076,531	(246,437)	20,830,094	7,462,066	3,331,951	-	1,824,013	-	577,431	101,884	-	-	13,297,346	-	34,127,440
2034	21,000,644	(167,451)	20,833,193	7,480,453	3,331,951	-	1,824,013	-	577,431	101,884	-	-	13,315,733	-	34,148,925
2035	10,296,979	(85,305)	10,211,674	7,501,686	3,331,951	-	1,824,013	-	577,431	101,884	-	-	13,336,965	-	23,548,639
2036	6,006,000	-	6,006,000	6,981,715	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,816,995	-	18,822,995
2037	-	-	-	6,993,293	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,828,573	-	12,828,573
2038	-	-	-	7,008,911	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,844,190	-	12,844,190
2039	-	-	-	7,022,654	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,857,934	-	12,857,934
2040	-	-	-	7,031,079	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,866,359	-	12,866,359
2041	-	-	-	6,493,782	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,329,061	-	12,329,061
2042	-	-	-	6,487,200	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,322,480	-	12,322,480
2043	-	-	-	6,483,769	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,319,048	-	12,319,048
2044	-	-	-	6,476,134	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,311,414	-	12,311,414
2045	-	-	-	6,468,077	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,303,356	-	12,303,356
2046	-	-	-	6,454,965	3,331,951	-	1,824,013	-	577,431	101,884	-	-	12,290,244	-	12,290,244
2047	-	-	-	5,881,830	3,331,951	-	1,824,013	-	577,431	101,884	-	-	11,717,110	-	11,717,110
2048	-	-	-	-	3,331,951	-	1,824,013	-	577,431	101,884	-	-	5,835,280	-	5,835,280
2049	-	-	-	-	-	-	1,824,013	-	577,431	101,884	-	-	2,503,328	-	2,503,328
2050	-	-	-	-	-	-	1,824,013	-	577,431	101,884	-	-	2,503,328	-	2,503,328
2051	-	-	-	-	-	-	-	-	577,431	101,884	-	-	679,315	-	679,315
2052	-	-	-	-	-	-	-	-	577,431	101,884	-	-	679,315	-	679,315
2053	-	-	-	-	-	-	-	-	-	101,884	-	-	101,884	-	101,884
2054	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	376,730,850	(6,191,284)	370,539,566	179,591,279	98,544,643	-	53,946,391	-	17,077,886	3,013,291	-	-	352,173,491	(8,961,997)	713,751,060

**North Fort Bend Water Authority
Water Rate and Pumpage Fee Model - TWDB Application for NEWPP**

Coverage and Additional Bonds Test Results

Year Ended	Net Revenue Available for Debt Service	Coverage Account Balance	Total Available for Debt Service	Net Debt Service	Rate Covenant - Annual Debt Service Coverage from Net Revenue & Coverage		Senior Lien ABT - MADS Coverage w/Net Revenue
					Acct	Debt Service Coverage from Net Revenues	
2018	36,780,073	7,994,553	44,774,626	19,551,680	2.29	1.88	2.11
2019	39,938,016	7,994,553	47,932,569	24,858,345	1.93	1.61	2.26
2020	43,525,145	8,450,557	51,975,702	28,187,239	1.84	1.54	2.45
2021	44,297,740	8,450,557	52,748,296	28,193,054	1.87	1.57	2.48
2022	47,103,093	8,594,914	55,698,007	30,027,862	1.85	1.57	2.62
2023	51,354,449	8,620,386	59,974,834	30,031,977	2.00	1.71	2.82
2024	55,733,628	8,620,386	64,354,013	30,602,507	2.10	1.82	3.03
2025	62,767,305	8,620,386	71,387,691	30,700,595	2.33	2.04	3.36
2026	66,901,441	8,620,386	75,521,827	30,706,188	2.46	2.18	
2027	71,096,879	8,620,386	79,717,265	30,713,577	2.60	2.31	
2028	75,366,868	8,620,386	83,987,254	33,970,402	2.47	2.22	
2029	79,776,506	8,620,386	88,396,892	34,019,989	2.60	2.34	
2030	84,271,499	8,620,386	92,891,885	34,055,173	2.73	2.47	
2031	84,271,499	8,620,386	92,891,885	34,085,874	2.73	2.47	
2032	84,271,499	8,620,386	92,891,885	34,106,382	2.72	2.47	
2033	84,271,499	8,620,386	92,891,885	34,127,440	2.72	2.47	
2034	84,271,499	8,620,386	92,891,885	34,148,925	2.72	2.47	
2035	84,271,499	8,620,386	92,891,885	23,548,639	3.94	3.58	
2036	84,271,499	8,620,386	92,891,885	18,822,995	4.94	4.48	
2037	84,477,587	8,620,386	93,097,973	12,828,573	7.26	6.59	
2038	84,544,487	8,620,386	93,164,873	12,844,190	7.25	6.58	
2039	84,544,487	8,620,386	93,164,873	12,857,934	7.25	6.58	
2040	84,544,487	8,620,386	93,164,873	12,866,359	7.24	6.57	
2041	84,544,487	8,620,386	93,164,873	12,329,061	7.56	6.86	
2042	84,544,487	8,620,386	93,164,873	12,322,480	7.56	6.86	
2043	84,544,487	8,620,386	93,164,873	12,319,048	7.56	6.86	
2044	84,544,487	8,620,386	93,164,873	12,311,414	7.57	6.87	
2045	84,544,487	8,620,386	93,164,873	12,303,356	7.57	6.87	
2046	84,544,487	8,620,386	93,164,873	12,290,244	7.58	6.88	
2047	84,544,487	8,620,386	93,164,873	11,717,110	7.95	7.22	
2048	84,544,487	8,620,386	93,164,873	5,835,280	15.97	14.49	
2049	84,544,487	8,620,386	93,164,873	2,503,328	37.22	33.77	
2050	84,544,487	8,620,386	93,164,873	2,503,328	37.22	33.77	
2051	84,544,487	8,620,386	93,164,873	679,315	137.15	124.46	
2052	84,544,487	8,620,386	93,164,873	679,315	137.15	124.46	
2053	84,544,487	8,620,386	93,164,873	101,884	914.42	829.81	
2054	84,544,487	8,620,386	93,164,873	-	#DIV/0!	#DIV/0!	

Attachment C46
5-Year Operating Statement

NORTH FORT BEND WATER AUTHORITY
SUMMARY OF FINANCIAL RESULTS OF OPERATIONS

Fiscal Year ended December 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> (Unaudited)
Operating Revenues:						
Pumpage Fee Revenue	\$ 13,809,530	\$ 16,113,230	\$ 14,359,514	\$ 14,637,440	\$ 16,944,838	\$ 19,720,754
Surface Water Sales	4,125,599	7,708,816	13,267,599	16,458,019	19,731,702	21,312,549
Conservation / Reuse Credits	-	-	-	-	-	(737,668)
Other	134,701	355,450	37,301	27,692	46,897	167,172
Total Operating Revenues	<u>\$ 18,069,830</u>	<u>\$ 24,177,496</u>	<u>\$ 27,664,414</u>	<u>\$ 31,123,151</u>	<u>\$ 36,723,437</u>	<u>\$ 40,462,807</u>
Operating Expenses:						
Professional Fees	\$ 1,824,305	\$ 2,174,250	\$ 1,954,921	\$ 2,047,771	\$ 2,230,912	\$ 2,047,190
Contracted Services	232,372	336,861	381,904	439,385	440,951	399,321
Purchased Services	1,484,563	1,959,260	2,894,875	2,609,217	4,328,709	4,135,316
Operations Maintenance	712,863	864,302	1,316,790	1,777,426	1,437,128	1,496,793
Leased Payments - Pump St	227,712	233,405	198,539	-	-	-
Water Conservation Incentives	-	-	-	-	305,604	318,508
Other	275,346	310,605	417,923	417,979	390,053	684,971
Total Operating Expenses	<u>\$ 4,757,161</u>	<u>\$ 5,878,683</u>	<u>\$ 7,164,952</u>	<u>\$ 7,291,778</u>	<u>\$ 9,133,357</u>	<u>\$ 9,082,099</u>
Net Operating Revenues	<u>\$ 13,312,669</u>	<u>\$ 18,298,813</u>	<u>\$ 20,499,462</u>	<u>\$ 23,831,373</u>	<u>\$ 27,590,080</u>	<u>\$ 31,380,708</u>
Non-Operating Revenues (Expenses):						
Interest Income	176,117	154,016	134,177	122,539	276,816	330,816
Interest Expense	(6,499,292)	(9,446,904)	(9,326,197)	(10,190,545)	(10,165,126)	(12,813,302)
Professional Fees	(450,131)	(354,285)	(387,654)	(379,003)	(944,096)	(441,844)
Capital Contributions			910,665	-	-	-
Loan Forgiveness Grant			-	-	1,632,000	-
Gain on Sale of Fixed Assets			30,000	-	-	-
Waterline Connections	(1,176,998)	(3,293,126)	(885,546)	(4,778)	-	-
Other	-	(80,104)	(55,222)	(330,769)	(616,683)	239,208
Net Revenue	<u>\$ 5,362,365</u>	<u>\$ 5,278,410</u>	<u>\$ 10,919,685</u>	<u>\$ 13,048,817</u>	<u>\$ 17,772,991</u>	<u>\$ 18,695,586</u>

NORTH FORT BEND WATER AUTHORITY

FINANCIAL STATEMENTS

December 31, 2016

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**NORTH FORT BEND WATER AUTHORITY
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McGrath & Co., PLLC

Certified Public Accountants

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Independent Auditors' Report

Board of Directors
North Fort Bend Water Authority
Fort Bend County, Texas

We have audited the accompanying financial statements of the business type activities of North Fort Bend Water Authority (the "Authority"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

***Board of Directors
North Fort Bend Water Authority
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Authority, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McGuath & Co, PC

Houston, Texas
May 3, 2017

Management's Discussion and Analysis

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***North Fort Bend Water Authority
Management's Discussion and Analysis
December 31, 2016***

Using this Annual Report

Within this section of the financial report of the North Fort Bend Water Authority (the "Authority"), the Authority's management provides narrative discussion and analysis of the financial activities of the Authority, for the fiscal year ended December 31, 2016. This analysis should be read in conjunction with the basic financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of the following:

The *Statement of Net Position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of the Authority.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., accounts receivable).

The *Statement of Cash Flows* presents information on the Authority's cash inflows and outflows during the year. Cash flows are categorized as operating activities, capital and related financing activities and investing activities. This statement includes a reconciliation of cash provided by the Authority's operating activities to operating income as reported on the *Statement of Revenues, Expenses and Changes in Net Position*.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Authority

The Authority's net position at December 31, 2016 was \$36,523,188. Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Accounting standards establish the following three components of net position:

- The net investment in capital assets component represents the Authority's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.
- The unrestricted component of net position represents resources not included in the other components. This component includes non-spendable assets, such as unamortized prepaid bond insurance.

North Fort Bend Water Authority
Management's Discussion and Analysis
December 31, 2016

A comparative summary of the Authority's overall financial position, as of December 31, 2016 and December 31, 2015 is summarized as follows, based on information contained in the *Statement of Net Position*:

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 121,223,528	\$ 100,523,783
Capital assets	<u>217,752,715</u>	<u>214,429,477</u>
Total assets	<u>338,976,243</u>	<u>314,953,260</u>
Current liabilities	12,065,269	11,558,349
Long term liabilities	<u>290,387,786</u>	<u>280,262,268</u>
Total liabilities	<u>302,453,055</u>	<u>291,820,617</u>
Net Position		
Net investment in capital assets	(33,324,474)	(42,264,515)
Restricted	32,034,856	30,980,746
Unrestricted	<u>37,812,806</u>	<u>34,416,412</u>
Total net position	<u>\$ 36,523,188</u>	<u>\$ 23,132,643</u>

The Authority's net operating income for the period ended December 31, 2016, was \$23,207,634 with net non-operating expense of \$9,817,089, resulting in an increase in net position of \$13,390,545. Non-operating revenues consist of interest income from the Authority's investments and Build America Bond rebates and revenues received from the Texas Water Development Board ("TWDB") loan forgiveness grant. Non-operating expenses consist of interest on long term debt, debt issuance costs and construction-related administrative costs.

A comparative summary of the Authority's operations for the period ended December 31, 2016 and December 31, 2015 is summarized as follows, based on information in the *Statement of Revenues, Expenses and Changes in Net Position*:

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 36,723,437	\$ 31,123,151
Operating expenses	<u>(13,515,803)</u>	<u>(11,294,832)</u>
Net operating income	23,207,634	19,828,319
Net non-operating expense	<u>(9,817,089)</u>	<u>(10,782,556)</u>
Change in net position	13,390,545	9,045,763
Net position, beginning of year	<u>23,132,643</u>	<u>14,086,880</u>
Net position, end of year	<u>\$ 36,523,188</u>	<u>\$ 23,132,643</u>

***North Fort Bend Water Authority
Management's Discussion and Analysis
December 31, 2016***

Capital Assets

Capital assets held by the Authority at the end of the current year and previous year are summarized as follows:

	<u>2016</u>	<u>2015</u>
Capital assets not being depreciated		
Land and right of way acquisition	\$ 8,627,739	\$ 8,378,229
Land and right of way acquisition - joint facilities	12,876,226	11,103,222
Construction in progress	7,869,953	15,294,254
Total capital assets not being depreciated	<u>29,373,918</u>	<u>34,775,705</u>
Capital assets being depreciated or amortized, net		
Water distribution system	94,417,219	86,139,990
Joint facilities	32,001,412	33,241,828
Capital Contributions - City of Houston	61,960,166	60,271,954
Total capital assets being depreciated or amortized, net	<u>188,378,797</u>	<u>179,653,772</u>
Total capital assets, net	<u>\$ 217,752,715</u>	<u>\$ 214,429,477</u>

During the current year, significant capital additions were:

- land and right-of-way acquisition costs
- capital contributions to the City of Houston's Northeast Water Purification Plant (NEWPP)
- capital contributions to the City of Houston's Northeast Transmission Line (NETL)
- water service lines to Segment 10A
- meter station communication upgrades
- various system wide projects

***North Fort Bend Water Authority
Management's Discussion and Analysis
December 31, 2016***

Long-Term Obligations

During the year, the Authority issued \$20,445,000 in Water System Junior Lien Revenue Bonds. Total long term obligations as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Revenue Bonds		
Water System Revenue Bonds, Series 2009	\$ 122,425,000	\$ 126,685,000
Water System Revenue Bonds, Series 2010A	37,160,000	39,215,000
Water System Revenue Bonds, Series 2010B	18,785,000	18,785,000
Water System Revenue Bonds, Series 2011	76,775,000	79,100,000
Water System Junior Lien Revenue Bonds, Series 2015	8,300,000	8,670,000
Water System Junior Lien Revenue Bonds, Series 2016A	9,420,000	
Water System Junior Lien Revenue Bonds, Series 2016B	11,025,000	
Unamortized discount/premium	<u>(379,063)</u>	<u>(406,114)</u>
	<u>283,510,937</u>	<u>272,048,886</u>
Share of Water Infrastructure Fund Bonds, Series 2012	<u>14,738,425</u>	<u>15,674,590</u>
Capital Contributions	<u>2,484,957</u>	<u>2,556,577</u>
Total long term obligations	<u>\$ 300,734,319</u>	<u>\$ 290,280,053</u>

The Water Infrastructure Fund Bonds, Series 2012 in the preceding table is for the Authority's pro-rata share of annual debt service on bonds issued by West Harris County Regional Water Authority pursuant to an agreement to jointly design, construct, finance, operate and maintain certain facilities (see Note 12).

The Authority's parity revenue bonds (Series 2009, Series 2010A, Series 2010B and Series 2011) carry an underlying rating of "A+" from Standard & Poor's and Fitch Ratings. The bonds also carry an insured rating of "AA" based on insurance issued by Assured Guaranty Municipal Corporation.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to North Fort Bend Water Authority, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Basic Financial Statements

North Fort Bend Water Authority
Statement of Net Position
December 31, 2016

Assets

Current assets

Cash	\$ 6,874,175
Investments	24,206,309
Accounts receivable	2,528,616
Other receivables	1,500,960
Accrued interest receivable	44,860
Prepaid expenses	1,680
Operating reserve - joint facilities	8,585

Total current assets	<u>35,165,185</u>
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Noncurrent assets

Restricted cash	30,624,195
Restricted investments	32,303,340
Water conservation credits	999,995
Unamortized prepaid bond insurance	3,288,528
Joint facilities - future capital costs (Note 12)	18,842,285
Capital assets	
Land, easements and rights-of- way	21,503,965
Construction in progress	7,869,953
Capital assets, net	188,378,797

Total noncurrent assets	<u>303,811,058</u>
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Total assets	<u>338,976,243</u>
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Liabilities

Current liabilities

Accounts payable	613,546
Accounts payable from restricted assets	384,594
Retainage payable from restricted assets	132,744
Accrued interest payable	587,852
Capital contributions, due within one year	75,368
Joint facilities WIF bonds share obligation, due within one year	936,165
Bonds payable, due within one year	9,335,000

Total current liabilities	<u>12,065,269</u>
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Noncurrent liabilities

Capital contributions, due in more than one year	2,409,589
Joint facilities WIF bonds share obligation, due in more than one year	13,802,260
Bonds payable, due in more than one year	274,175,937

Total noncurrent liabilities	<u>290,387,786</u>
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Total liabilities	<u>302,453,055</u>
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Net position

Net investment in capital assets	(33,324,474)
Restricted for debt service	29,413,202
Restricted for water conservation credits	999,995
Restricted for operations and maintenance reserve	1,621,659
Unrestricted	37,812,806
Total net position	<u>\$ 36,523,188</u>

See Notes to Financial Statements.

North Fort Bend Water Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2016

Operating revenues	
Pumpage fees	\$ 16,944,838
Surface water	19,731,702
Other	46,897
Total operating revenues	<u>36,723,437</u>
Operating expenses	
Professional fees	2,230,912
Contracted services	440,951
Operations and maintenance	1,437,128
Purchased water	4,328,709
Depreciation and amortization	4,382,446
Other	695,657
Total operating expenses	<u>13,515,803</u>
Net operating income	<u>23,207,634</u>
Non-operating revenues (expenses)	
Interest income	276,816
Build America Bonds rebate	368,565
Debt issuance costs	(554,079)
Professional fees	(944,096)
Interest expense	(10,533,691)
TWDB loan forgiveness grant	1,632,000
Other	(62,604)
Net non-operating expense	<u>(9,817,089)</u>
Change in net position	13,390,545
Beginning net position	23,132,643
Ending net position	<u>\$ 36,523,188</u>

See Notes to Financial Statements.

North Fort Bend Water Authority
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash flows from operating activities	
Receipts from participants	\$ 41,302,633
Payments to contractors and vendors	(9,170,381)
Net cash provided by operating activities	<u>32,132,252</u>
Cash flows from capital and related financing activities	
Paid for acquisition and construction of capital assets	(4,914,224)
Payment of interest on bonds	(12,766,198)
Payment of bond principal	(9,010,000)
Payment of WIF bond share obligation	(1,094,152)
Build America Bonds interest rebate	368,565
Bond proceeds	20,445,000
Payments to contractors and vendors	(1,000,278)
TWDB loan forgiveness grant	1,632,000
Debt issuance costs	(554,079)
Net cash used by capital and related financing activities	<u>(6,893,366)</u>
Cash flows from investing activities	
Interest received	288,437
Net cash provided by investing activities	<u>288,437</u>
Net increase in cash and cash equivalents	25,527,323
Cash and cash equivalents - beginning of year	<u>62,964,765</u>
Cash and cash equivalents - end of year	<u><u>\$ 88,492,088</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 23,207,634
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation and amortization expense	4,382,446
Non-cash revenue from capital contribution credits	(196,719)
Change in assets and liabilities:	
Decrease in accounts receivable	4,775,915
Decrease in prepaid expense	570
Increase in conservation credits	(139,476)
Decrease in accounts payable	101,882
Total adjustments	<u>8,924,618</u>
Net cash provided by operating activities	<u><u>\$ 32,132,252</u></u>
Cash and cash equivalents per Statement of Net Position:	
Cash	\$ 6,874,175
Cash Equivalents Reported as Investments	24,206,309
Restricted Cash	30,624,195
Cash Equivalents Reported as Restricted Investments	<u>26,787,409</u>
	<u><u>\$ 88,492,088</u></u>

See Notes to Financial Statements.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 1 – Summary of Significant Accounting Policies

The North Fort Bend Water Authority (the “Authority”) was created in 2005 under Article 16, Section 59 of the Texas Constitution by Senate Bill 1798, as passed by the Texas Legislature and as amended and codified in Chapter 8813, Texas Special District Laws Code (the “Act”). The Authority began operations in September, 2005. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater and for the reduction of groundwater withdrawals.

The Authority charges a fee based on the amount of water pumped from a well or surface water delivered to the owner of wells located in the Authority’s boundaries, unless exempted. The Authority also charges a fee for importation of water into the Authority’s boundaries. The fees established by the Board of Directors should be sufficient to: (1) achieve water conservation, prevent waste of water, serve as a disincentive to pumping groundwater and make available alternative water supplies; and (2) enable the Authority to meet operation and maintenance expenses and pay the principal and interest on any debt issued by the Authority.

The Authority has contracted with various consultants to provide services to operate and administer the affairs of the Authority. The Authority has no employees, related payroll or pension costs.

The accounting policies of the Authority conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the most significant policies:

Reporting Entity

The Authority is a political subdivision of the State of Texas governed by an appointed seven-member Board. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the Authority’s financial reporting entity. No other entities, organizations or functions have been included in the Authority’s financial reporting entity. Additionally, as the Authority is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the Authority’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Authority is a part of any other governmental or other type of reporting entity. The overriding elements considered in determining that the Authority’s financial reporting entity status is that of a primary government are: that it has a separate governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additional criteria include (1) considerations pertaining to organizations for which the primary government is financially accountable and (2) considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements

The basic financial statements include the *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, *Statement of Cash Flows* and *Notes to Financial Statements*. These statements focus on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from these activities for the fiscal year.

Measurement Focus and Basis of Accounting

The Authority follows proprietary fund accounting and reporting requirements, which utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Authority's principal operating revenues are charges to participants for pumpage fees and water supply. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net position is classified, when applicable, into the following three components:

- Net investment in capital assets – this component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted – resources that can be spent only for specific purposes because constraints on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed through enabling legislation.
- Unrestricted – amounts that do not meet the definition of the previous two categories. Included in the Authority's unrestricted net assets of \$37,812,806, is \$29,863,679 which the Authority has deposited into separate bank/investment accounts and has designated as the improvement fund.

When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first.

Cash and Cash Equivalents

For the purposes of the *Statement of Cash Flows*, the Authority considers investments in investment pools and certificates of deposit to be cash equivalents.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by an allowance for amounts considered uncollectible. At December 31, 2016, an allowance was not considered necessary for possible uncollectible accounts.

Capital Assets

The Authority defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets, except for land, easements, rights-of-way and construction in progress, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Water distribution system	45 years
Joint facilities	20 - 45 years
Capital contributions	80 years (max)

Interest costs on assets acquired with tax-exempt borrowings are capitalized, net of interest earned on related interest-bearing investments acquired with proceeds of the related borrowings, from the date of borrowing until the assets are ready for their intended use. During the current fiscal year, the Authority incurred interest costs of \$10,533,691 on construction-related borrowings and capitalized \$2,773,312 of net interest.

Budgeting

The Board of Directors annually adopts an unappropriated budget for the Authority.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Note 2 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the Authority's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The Authority's written investment policy establishes additional requirements for collateralization of deposits.

Restricted Cash

At December 31, 2016, restricted cash was comprised of the following:

Capital improvements	\$ 5,775,732
TWBD escrow	24,848,463
	<u>\$ 30,624,195</u>

Investments

The Authority is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The Authority has adopted a written investment policy to establish the principles by which the Authority's investment program should be managed. This policy further restricts the types of investments in which the Authority may invest.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 2 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The Authority’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

As of December 31, 2016, the Authority’s investments and maturities are as follows:

Type	Carrying Value	Percentage of Total	Maturities in Years	
			Less than 1	1-5
TexPool				
Unrestricted - Improvement fund	\$ 20,955,750	36%	\$ 20,955,750	\$ -
TexSTAR				
Unrestricted	195,880			
Restricted - Operations and maintenance	1,621,659			
Restricted - Debt service	15,287,150			
Restricted - Acquisition of capital assets	707,986			
	<u>17,820,795</u>	32%	17,820,795	
Certificates of Deposit				
Restricted - Debt service	9,170,612			
Unrestricted - Improvement Fund	3,046,561			
	<u>12,217,173</u>	22%	12,217,173	
Treasury Notes				
Restricted - Debt service	4,972,634	9%		4,972,634
San Antonio Independent School District Bond				
Restricted - Debt service	543,297	1%		543,297
	<u>\$ 56,509,649</u>	100%	<u>\$ 50,993,718</u>	<u>\$ 5,515,931</u>

The Authority considers the investments in TexPool and TexSTAR to have a maturity of less than one year because the weighted average maturities of these pools are 85 days and 96 days, respectively. TexPool and TexSTAR are rated AAAM by Standard and Poor’s and the San Antonio Independent School District Bonds are rated Aa2 by Moody’s.

Note 2 – Deposits and Investments (continued)

Investment Valuation

The Authority's investments in U.S. treasuries, municipal bonds and TexSTAR are reported at fair value in the *Statement of Net Position*. The Authority implemented GASB Statement No. 72, "Fair Value Measurement and Application," during the current fiscal year. This statement establishes a hierarchy of inputs used to measure fair value as follows: Level 1 inputs are based on quoted prices for identical securities in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs.

Fair value measurements of the Authority's investments as of December 31, 2016 are as follows:

- U.S. Treasury Notes: valued at \$4,972,634 based on quoted market prices (level 1 inputs).
- San Antonio Independent School District bonds: valued at \$543,297 based on yield curves, which are adjusted throughout the day based on trades and other pertinent market information (level 2 inputs).
- TexSTAR: valued at \$17,820,795 based on published fair value per share (level 1 inputs).

TexPool

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Such oversight includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the Authority's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

TexSTAR

The Texas Short Term Asset Reserve fund (TexSTAR) is managed by First Southwest, a division of Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. First Southwest provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The Authority's investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 3 – Water Conservation Credits

The Authority participates in the Water Wise Program sponsored by the Fort Bend Subsidence District (“FBSD”). This program is an educational program dedicated to teaching local students about the importance of water conservation. The Authority receives a Certificate of Deposit water conservation credit equal to 84,000 gallons of groundwater for each student sponsored. Redemption of the Certificate of Deposit requires the FBSD to increase the redeemer’s groundwater allocation by the amount of the water conservation credit, provided however, that the Certificates of Deposit issued beginning with the 2001-2002 school year (Series B) may only be applied to a maximum of 30 percent of the permittee’s total water demand. The Authority began purchasing water conservation credits from other municipalities in 2007. The cost paid to the FBSD to sponsor each student and the cost paid to other municipalities to purchase water conservation credits is recorded as an asset and will be expensed in the year in which the credits(s) are redeemed. As of December 31, 2016, the Authority has invested \$999,995 in water conservation credits.

Note 4 – Other Receivables

Other receivables as of December 31, 2016 are comprised of the following:

Due from City of Houston (Note 11)	\$	567,279
Due from West Harris County RWA (Note 12)		933,681
	\$	<u>1,500,960</u>

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 5 – Capital Assets

A summary of capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land and ROW acquisition	\$ 8,378,229	\$ 249,510	\$ -	\$ 8,627,739
Land and ROW acquisition - joint facilities	11,103,222	1,773,004		12,876,226
Construction in progress	15,294,254	2,980,577	(10,404,878)	7,869,953
Subtotal non-depreciable capital assets	<u>34,775,705</u>	<u>5,003,091</u>	<u>(10,404,878)</u>	<u>29,373,918</u>
Capital assets being depreciated/amortized				
Water distribution system	91,989,578	10,404,881		102,394,459
Joint facilities	35,048,686			35,048,686
Capital Contributions - City of Houston	69,394,098	2,702,590		72,096,688
Subtotal	<u>196,432,362</u>	<u>13,107,471</u>		<u>209,539,833</u>
Less accumulated depreciation/amortization				
Water distribution system	(5,849,588)	(2,127,652)		(7,977,240)
Joint facilities	(1,806,858)	(1,240,416)		(3,047,274)
Capital Contributions - City of Houston	(9,122,144)	(1,014,378)		(10,136,522)
Subtotal	<u>(16,778,590)</u>	<u>(4,382,446)</u>		<u>(21,161,036)</u>
Subtotal depreciable capital assets, net	<u>179,653,772</u>	<u>8,725,025</u>		<u>188,378,797</u>
Total capital assets, net	<u>\$ 214,429,477</u>	<u>\$ 13,728,116</u>	<u>\$ (10,404,878)</u>	<u>\$ 217,752,715</u>

Depreciation/amortization expense for the current year was \$4,382,446.

Note 6 – Bonds Payable

Bonds payable as reported on the *Statement of Net Position* is comprised of the following:

Bonds payable	\$ 283,890,000
Unamortized discounts/premium	(379,063)
Total	<u>\$ 283,510,937</u>
Due within one year	\$ 9,335,000
Due after one year	274,175,937
	<u>\$ 283,510,937</u>

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 6 – Bonds Payable

The Authority's bonds payable at December 31, 2016, consisted of the following individual issues:

	Water System Revenue Bonds Series 2009	Water System Revenue Bonds Series 2010A	Water System Revenue Bonds Series 2010B	Water System Revenue Bonds Series 2011
Amount outstanding, end of year	\$122,425,000	\$37,160,000	\$18,785,000	\$76,775,000
Interest rates	3.00% - 5.25%	3.00% - 5.00%	6.018%	2.00%-5.25%
Maturity dates: (beginning - ending)	December 15, 2011-2020 2024, 2034	December 15, 2015-2030	December 15, 2011-2035	December 15, 2014-2036
Interest payment dates	June 15 and December 15	June 15 and December 15	June 15 and December 15	June 15 and December 15
Callable dates	December 15, 2019*	December 15, 2020*	December 15, 2020*	December 15, 2021*
	Junior Lien Water System Revenue Bonds Series 2015	Junior Lien Water System Revenue Bonds Series 2016A	Junior Lien Water System Revenue Bonds Series 2016B	
Amount outstanding, end of year	\$8,300,000	\$9,420,000	\$11,025,000	
Interest rates	0.19% - 2.41%	0.0% - 1.02%	0.65% - 3.04%	
Maturity dates: (beginning - ending)	December 15, 2016-2035	December 15, 2018-2040	December 15, 2018-2046	
Interest payment dates	June 15 and December 15	June 15 and December 15	June 15 and December 15	
Callable dates	December 15, 2026*	December 15, 2026*	December 15, 2026*	

* Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the Authority. Series 2009 term bonds maturing December 15, 2024 and December 15, 2034 are subject to mandatory redemption beginning December 15, 2021, and December 15, 2025, respectively. Series 2010B term bonds maturing December 15, 2035 are subject to mandatory redemption beginning December 15, 2031. The Series 2010B bonds are Direct Subsidy Bonds that provide a current federal subsidy of 35% of the interest paid on the bonds to the issuer, a program of the American Recovery and Reinvestment Act of 2009. The Series 2011 term bonds maturing December 15, 2036 are subject to mandatory redemption beginning December 15, 2032.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 6 – Bonds Payable (continued)

The Series 2010B bonds are direct subsidy Build America Bonds. The Build America Bond program was enacted as part of the American Recovery and Reinvestment Act of 2009. The program allows state and local governments to issue taxable bonds (instead of the tax-exempt bonds usually issued by governmental entities) for the construction of public infrastructure and to receive a direct federal subsidy equal to thirty-five percent of the amount of interest paid to bondholders. Bond proceeds may be used only for those purposes for which tax-exempt bonds may be issued. In order to receive the subsidy, the Authority must file the appropriate return with the Internal Revenue Service between 90 and 45 days before the scheduled interest payment date. During the current fiscal year, the Authority received subsidies in the amount of \$368,565.

The Texas Water Development Board (“TWDB”) made a commitment to the Authority for financial assistance in the amount of \$555,845,000 from the State Water Implementation Revenue Fund. The TWDB agreed to purchase water system junior lien revenue bonds from the Authority each year from 2015 through 2022. The proceeds are to be used for the Northeast Water Purification Plant Expansion in the amount of \$251,845,000 and Surface Water Supply Project in the amount of \$304,000,000. During the current fiscal year, the Authority sold \$11,025,000 of water system junior lien Series 2016B bonds to the TWDB related to this commitment.

The Authority also sold \$9,420,000 of water system junior lien Series 2016A bonds to the TWDB, funded from the Clean Water State Revolving Fund (CWSRF), and received a loan forgiveness grant of \$1,632,000 from the TWDB from the CWSRF.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2016:

Bonds payable, beginning of year	\$ 272,455,000
Add: Bonds issued	20,445,000
Less: Bonds retired	(9,010,000)
Bonds payable, end of year	<u>\$ 283,890,000</u>
Total original bonds issued	<u>\$ 312,615,000</u>

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 6 – Bonds Payable (continued)

As of December 31, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 9,335,000	\$ 12,770,222	\$ 22,105,222
2018	10,320,000	12,357,726	22,677,726
2019	10,725,000	11,960,204	22,685,204
2020	11,145,000	11,537,147	22,682,147
2021	11,585,000	11,102,961	22,687,961
2022-2026	65,905,000	47,647,826	113,552,826
2027-2031	81,870,000	31,869,451	113,739,451
2032-2036	76,230,000	10,566,940	86,796,940
2037-2041	4,210,000	623,788	4,833,788
2042-2046	2,565,000	238,944	2,803,944
	<u>\$ 283,890,000</u>	<u>\$ 150,675,207</u>	<u>\$ 434,565,207</u>

Note 7 - Indenture of Trust

The Authority entered into the Indenture of Trust (the “Indenture”) dated as of June 1, 2009, the First Supplemental Indenture of Trust, dated as of June 1, 2009, the Second Supplemental Indenture of Trust, dated as of September 1, 2010, the Third Supplemental Indenture of Trust, dated as of October 1, 2011, the Fourth Supplemental Indenture of Trust, dated as of November 1, 2015, the Fifth Indenture of Trust, dated as of August 15, 2016, and the Sixth Supplemental Indenture of Trust, dated October 1, 2016, with Regions Bank, in its capacity as Trustee (the “Trustee”) for the purpose of establishing various funds and assigning and pledging the monies held by the Trustee to secure the payment of principal and interest on the bonds and payments of certain obligations. The Fourth Supplement established slightly less restrictive requirements for the junior lien bonds. The Trustee is responsible for allocating certain available monies of the Authority in accordance with the terms of the Indenture. The following are certain requirements and provisions of the Indenture:

- A. The Authority is required to maintain a Coverage Fund. The Authority is required to establish by each fiscal year end a balance of 1) for Parity Bonds, Parity Notes, and Parity Obligations, twenty-five percent (25%) of its maximum annual debt service requirement, and 2) for Junior Lien Bonds, Junior Lien Notes, and Junior Lien Obligations, twenty-five percent (25%) of their maximum annual debt service requirements. The maximum annual debt service requirement for Parity Bonds is currently \$21,231,750 with 25% being \$5,307,938. The maximum annual debt service requirement for Junior Lien Bonds is currently \$1,569,340, with 25% being \$392,335. As of December 31, 2016, the Coverage Fund cash balance is \$5,700,273.

Note 7 - Indenture of Trust (continued)

- B. The Indenture also calls for the establishment of a Reserve Fund Requirement. The Reserve Fund Requirement is established and stipulated to be \$21,231,750, which is the lesser of (i) the maximum annual debt service requirement or (ii) 125% of the average annual aggregate debt service requirement. The Reserve Fund Requirement has been satisfied by cash deposits and interest earnings thereon from proceeds of the Series 2009 bonds, Series 2010A bonds, Series 2010B bonds, Series 2011 bonds, Series 2015 bonds, Series 2016A bonds, and Series 2016B bonds, totaling \$21,231,750 as of December 31, 2016.
- C. The Agreement calls for the establishment of a Junior Lien Reserve Fund Requirement, which for Junior Lien Bonds and Junior Lien Notes, is the average annual aggregate debt service requirement on the Junior Lien Bonds and Junior Lien Notes, calculated as of the date of issuance of each series. Upon issuance of the Series 2016B Bonds, the amount of the Junior Lien Reserve Fund Requirement is established to be \$1,220,147. The Junior Lien Reserve Fund Requirement was satisfied by cash deposits and interest earnings thereon from proceeds of the Series 2015, Series 2016A and Series 2016B bonds, totaling \$1,220,147 as of December 31, 2016.
- D. The Indenture states that the Authority will provide continuing disclosure of certain financial information and operating data to the Municipal Securities Rulemaking Board's electronic municipal market access system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year.
- E. The Authority has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the 5th year anniversary of each issue.

Note 8 – Capital Advance and Reimbursement Procedures

Prior to each new bond issue, the Authority may opt to adopt a Resolution Authorizing Capital Advance and Reimbursement Procedure (each a "Resolution") pursuant to Section 8813.104 of the Act to provide each district or municipality within its boundaries information regarding the share of capital costs allocable to such district or municipality, and to provide each district or municipality the opportunity to fund its share of the capital costs and to provide a mechanism for the reimbursement credit thereof.

During 2008, and pursuant to a Resolution, two districts elected to make capital contributions totaling \$3,047,771. Contributions were received from Cinco Municipal Utility District No. 8 ("Cinco 8") in February 2010 in the amount of \$1,847,771. As of December 31, 2016, the Authority has not received contributions from the other district.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 8 – Capital Advance and Reimbursement Procedures (continued)

With the addition of an issuance cost component, the total principal amount of the reimbursement credit to be received by Cinco 8 is \$1,861,676. The reimbursement credit, which includes interest, will be provided in 310 equal monthly credits to be applied against all fees, rates and charges due to the Authority for groundwater pumpage and/or surface water purchased. The monthly reimbursement credit to Cinco 8 for these capital contributions is \$11,115.

During 2012, Cinco 8 made an additional capital contribution in the amount of \$990,496 to the Authority to fund its share of capital costs. With the addition of an issuance cost component, the total principal amount of the reimbursement credit to be received by Cinco 8 is \$998,123. The reimbursement credit, which includes interest, will be provided in 304 equal monthly credits to be applied against all fees, rates and charges due to the Authority for groundwater pumpage and/or surface water purchased. The monthly reimbursement credit to Cinco 8 for this capital contribution is \$5,575.

During the current fiscal year, the interest cost on all contribution credits was \$128,657. The following is a schedule of the credits and interest to be given to Cinco 8 by the Authority.

Year	Principal	Interest	Total
2017	\$ 75,368	\$ 124,910	\$ 200,278
2018	79,310	120,967	200,277
2019	83,461	116,816	200,277
2020	87,830	112,448	200,278
2021	92,429	107,849	200,278
2022-2026	540,059	461,328	1,001,387
2027-2031	697,317	304,071	1,001,388
2032-2036	763,929	104,081	868,010
2037	65,254	1,703	66,957
	<u>\$ 2,484,957</u>	<u>\$ 1,454,173</u>	<u>\$ 3,939,130</u>
Payable Within One Year	<u>\$ 75,368</u>	<u>\$ 124,910</u>	<u>\$ 200,278</u>
Payable After One Year	<u>\$ 2,409,589</u>	<u>\$ 1,329,263</u>	<u>\$ 3,738,852</u>

The change in the Authority's liability for capital contributions during the year is as follows:

Balance at beginning of year	\$ 2,556,577
Principal reductions	<u>(71,620)</u>
Balance at end of year	<u>\$ 2,484,957</u>

Note 9 – Over-Conversion Credit Policy

The FBSD has adopted a policy by which the FBSD issues over-conversion credits (1) achieved through the reuse of wastewater treatment plant effluent ("Effluent") in the amount of 1.5 gallons for each gallon of Effluent over-conversion, and (2) achieved through the use of any metered alternative water supply other than Effluent ("Non-Effluent Alternative Water Supply") in the amount of one gallon for each gallon of metered alternative water supply. On November 21, 2013, the Authority adopted an amended and restated Over-Conversion Credit Policy (the "Policy"), under which the Authority is willing to consider proposals for all Effluent and Non-Effluent Alternative Water Supply projects on a case by case basis. While the Authority reserved the right to consider any proposals that were not directly contemplated by the Policy, the Policy contains the following guidelines.

For Effluent and Non-effluent water supply projects, the Authority shall endeavor to enter into written contracts ("Contracts") for the use of Effluent within its boundaries. Such Contracts may include a credit of up to \$0.75 per 1,000 gallons for each 1,000 gallons of metered Effluent or Non-Effluent Alternative Water Supply used ("Credits") to be applied against pumpage fees (or any other fees) due the Authority. The credits may be earned for a period equal to the life of the bonds used to finance such projects or such other period as determined by the Authority to allow for reasonable recovery of some or all project costs. FBSD over-conversion credits associated with the Effluent during the life of the reuse system will belong to the Authority for the benefit of the Authority's groundwater reduction plan (the "GRP"). The Contracts will include a provision that Credits shall only be awarded to the extent the Authority receives the over-conversion credit from FBSD.

Note 10 – Groundwater Reduction Plan Participation Agreements

The Authority entered into Groundwater Reduction Plan Participation Agreements with The George Foundation, Kingdom Heights Homeowners Association, Inc., Champion Technologies, Inc., City of Arcola, Royal Valley Utilities, Inc., Chemical Lime, Ltd., Fort Bend County Fresh Water Supply District No. 1, Fort Bend County Municipal Utility District No. 189, Fort Bend County Municipal Utility District No. 131, and Orbit Systems, Inc. (the "participants"). The participants are located outside the Authority's boundaries. The Authority agreed to include the participants into the Authority's groundwater reduction plan as non-voting members and the participants agreed to pay the Authority the monthly water well pumpage fee. The term of each agreement is 40 years and shall automatically renew for successive five-year periods, unless the other party gives written notice of its intent to terminate. The Authority has also entered into a Groundwater Participation Agreement with Fort Bend Municipal Utility District No. 141 and a water well Permitting and Groundwater Reduction Plan Responsibility Agreement with Cinco Municipal Utility District No. 1 for one permitted water well located in Harris County.

Note 11 – Water Supply Contract with the City of Houston

The Authority receives its surface water supply from the City of Houston (the “City”). The Authority entered into a Water Supply Contract (the “Contract”) with the City, on July 29, 2008, as subsequently supplemented and amended, for the purchase of capacity in certain of the City’s untreated water facilities (i.e, reservoirs, canals, etc.) and treated water facilities, including transmission facilities. The original Contract provided the Authority with 19.5 mgd capacity in both treated and untreated facilities.

The City is responsible for the design, construction, ownership, maintenance and operation of the water facilities that are upstream of the point(s) of delivery to the Authority. The Authority is responsible for the design, construction, ownership, maintenance and operation of its water facilities located downstream of the point(s) of delivery.

The City has executed similar contracts with West Harris County Regional Water Authority, the North Harris County Regional Water Authority, and the Central Harris County Regional Water Authority (the “Other Authorities”).

Pursuant to the original Contract, the Authority paid the City \$47,087,533 for treated water facilities. The payment consisted of \$26,184,758 for plant facilities, \$17,342,197 for surface water transmission lines, and \$4,842,139 for the Southwest re-pump station, less an interest adjustment of \$1,281,561. The Authority also paid \$13,712,603 in capital costs for untreated water facilities.

Luce Bayou Interbasin Transfer Project (First Supplement)

In January 2009, the Authority and the City executed the First Supplement (the “First Supplement”) to the Water Supply Contract to finance, design, and construct the Luce Bayou Interbasin Transfer Project (“Luce Bayou”) that will deliver approximately 400 million gallons per day of untreated surface water from the Trinity River to Lake Houston in order to increase untreated surface water supplies available to the City, the Authority, and Other Authorities receiving surface water from the City. The First Supplement provides that the Coastal Water Authority (the “CWA”) will serve as the project manager for the purpose of designing and constructing Luce Bayou and the City will issue (or cause CWA to issue) bonds, notes, or other obligations to finance Luce Bayou.

In 2012, the CWA received financial assistance in the amount of \$28,754,000 from the State of Texas under the State Participation program. The First Supplement was subsequently amended in 2013 by the First Amendment to the First Supplement to Water Supply Contract (the “Amendment”) to address the impact of this obligation on the Authority’s payments to the City.

Under the terms of the contract, the Authority will make the following payments to the City:

- Lump Sum Payments for Project Right of Way Costs and Payment of CWA Interest Costs;
- Payments for Existing Untreated Water Supply Facilities; and
- Payments for Phases 1 and 2 Annual New Untreated Water Facilities.

Note 11 – Water Supply Contract with the City of Houston (continued)

Luce Bayou Interbasin Transfer Project (First Supplement) (continued)

Lump Sum Payments: As of December 31, 2016, the Authority paid the City \$1,514,000 for its pro-rata share of the estimated right-of-way costs. The City and the Authority agreed to “true-up” the payments made by the Authority for the right-of-way costs such that if the Authority has underpaid, taking into account interest accrued, it will pay the City for the shortfall within 60 days of receiving the final accounting and the City agrees to refund the Authority any overpayment within 60 days of receiving the final accounting. During the current fiscal year, the City refunded \$95,080 related to the true-up of land and mitigation costs, and the Authority paid \$33,824 for its share of CWA interest costs.

Payments for Existing Untreated Water Facilities: The Authority seeks to increase its Untreated Water Facilities Demand from 19.5 mgd to 75.3 mgd, which is currently estimated to be the Authority’s surface water demand in the year 2040. Under the terms of the First Supplement, the Authority is required to make four payments to the City for Existing Untreated Water Facilities. Each payment is based on a formula defined in the First Supplement based on the Authority’s water demand needs in 2025, 2030, 2035 and 2040. The payments are projected to be due on October 1, 2020, 2025, 2030, and 2035, respectively.

Payment for Phases 1 and 2 Annual New Untreated Water Facilities: Payments made to the City for Phase 1 and Phase 2 Annual New Untreated Water Facilities are to be used only for the purpose of making debt service payments on obligations issued by either the City or CWA for the construction of Phase 1 and Phase 2 of Luce Bayou. The formulas used to calculate payments are defined in the contract and take into consideration the Authority’s 75.3 mgd untreated water reservation, the total amount of untreated water sold by the City to all customers and the City’s annual debt service requirement. As previously mentioned, the CWA received financial assistance in the amount of \$28,754,000 in the 2013 fiscal year from the State of Texas under the State Participation Program. The Authority’s pro-rata share of debt service payments on this obligation will be repaid over 33 years, beginning in 2018.

Monthly Payments and Annual True-ups: The Authority is required to reimburse the City on a periodic basis for the expenses incurred by the City in producing and treating the water delivered to the Authority. The Authority makes monthly payments to the City based upon its actual usage and the City’s estimated costs as budgeted for the fiscal year (as a rate per 1,000 gallons). The payments consist of an operation and maintenance component (i.e., purchased water) and a rehabilitation capital cost component. The City is required to engage an independent auditor to prepare a true-up based on actual costs at the end of each fiscal year.

During the current fiscal year, the Authority recorded an expense of \$4,328,709 for purchased water, which includes true-up costs for fiscal year 2016 of \$224,511. The Authority also reduced capital contributions for rehabilitation costs in the amount of \$959,575. As of December 31, 2016, the Authority has recorded a receivable from the City in the amount of \$567,279 for the 2014, 2015 and 2016 true-ups.

Note 11 – Water Supply Contract with the City of Houston (continued)

Northeast Water Purification Plant Expansion Project (Second Supplement)

On February 25, 2015, the Authority and the City executed the Second Supplement to the Water Supply Contract to increase the supply of treated water to the Authority from 19.5 mgd to 88 mgd. In order to provide this additional capacity, the City will expand the Northeast Water Purification Plant in 2 phases. Phase 1 will provide the Authority with an additional 11.46 mgd capacity no later than August 31, 2021 and Phase 2 will provide an additional 57.04 mgd of capacity no later than June 30, 2024.

The Second Supplement provides that the Authority's estimated share of total costs is approximately \$270 million; however, these cost assumptions are currently under review by the parties participating in the project and it is anticipated that, upon completion the review, the cost estimate will increase, the phasing may be adjusted and the delivery dates may be delayed. These revisions could substantially increase the cost of the project and delay completion of the project. The City will issue cash calls as needed to fund the expansion. As of December 31, 2016, the Authority has paid the City \$2,755,730 in cash calls and has deposited \$4,579,510 into an escrow account with the City of Houston pursuant to the Second Supplement to the Water Supply Contract. The Authority also paid the City \$391,461 for costs incurred for the project prior to December 1, 2014.

Northeast Transmission Line (Third Supplement)

On November 10, 2015, the Authority and the City executed the Third Supplement to the Water Supply Contract to clarify and agree to the terms for the cost sharing, permitting, engineering, surveying, construction, operation and maintenance necessary for the Segment 1 of the Northeast Transmission Line. The Authority's Segment 1 reservation is 68.5 mgd. The Authority's estimated share of the total costs is approximately \$3,035,683. During the current year, the Authority paid to the City \$407,653 for design costs. The City will invoice the Authority prior to engaging a design engineer and prior to awarding the construction contract.

The Water Supply Contract and all supplements remain in effect until January 1, 2080.

Note 12 – Joint Facilities Agreement

On July 1, 2011, as amended March 1, 2012, the Authority and West Harris County Regional Water Authority (the "West Harris Authority") entered into a Joint Facilities Agreement (the "Agreement") to jointly design, acquire, construct, finance, operate and maintain certain booster pump stations and water transmission facilities to receive water from the City of Houston for ultimate delivery to the Authorities' respective customers.

Note 12 – Joint Facilities Agreement (continued)

Segments 0 & 1A. The Authority is responsible for the design and construction of Segments 0 & 1A. The West Harris Authority will pay to the Authority its pro rata share of total project costs which varies depending on the segment. The Authority will hold legal title to the segments for the benefit of both parties. Each authority will have an equitable interest to the extent of its pro rata share. The Authority's independent auditor performed a final accounting of project costs to determine the amount due from the West Harris Authority. As of December 31, 2016, the estimated amount due is from the West Harris Authority is \$30,286 for Segment 0, \$346,891 for Segment 1A, and \$800 for accounting fees. These amounts are included in Other Receivables on the *Statement of Net Position*.

Bellaire Pump Station. The Authority is responsible for the purchase of land for the Bellaire Pump Station as well as the design and construction of Phases 1 and 2. In previous fiscal years, the West Harris Authority paid the Authority \$364,550 for its portion of realty costs associated with the Bellaire Pump Station, and \$6,201,866 for its share of pump station construction costs. Phase 1 of the Bellaire Pump Station was completed in 2014. The Authority's independent auditor performed a final accounting of project costs. The estimated amount due from the West Harris Authority as of December 31, 2016, is \$555,704, which is included in Other Receivables on the *Statement of Net Position*.

Phase 2 is planned to add capacity to the Bellaire Pump Station for the benefit of the West Harris Authority. The Authority will design and construct Phase 2 provided that the West Harris Authority pays all Phase 2 project costs. The Authority will invoice the West Harris Authority for 100% of Phase 2 design and construction costs.

Surface Water Supply Project. The Surface Water Supply Project consists of water mains, pump stations, re-pump stations, re-pressurization stations and related appurtenances needed to convey water from Houston's Northeast Water Plant to the authorities. Under the Agreement, the Surface Water Supply Project is required to be complete no later than June 30, 2019. On January 9, 2013, the Harris Galveston Subsidence District ("HGSD") delayed the 70% alternate water supply requirement that is required by the year 2020 under HGSD's regulations until 2025. Accordingly, the Agreement provides that the June 30, 2019 date is extended to June 30, 2024. The agreement provides a total cost estimate of approximately \$542,419,000 for the Surface Water Supply Project and provides the West Harris Authority will update such estimate annually. The West Harris Authority will own and operate the Surface Water Supply Project for the benefit of both parties. Each authority will have an equitable interest to the extent of its pro-rata share.

The West Harris Authority will invoice the Authority for estimated engineering costs based on its estimated pro-rata share of 70%. No earlier than 12 months after the 70% invoice is sent, the Authority will be billed 100% of construction costs. All deposits are to be deposited into a separate bank account and the bookkeeper will provide monthly reports of the application of each authority's payment for project costs and of related interest earnings. The West Harris Authority will own and operate the Surface Water Supply Project, with each party having an equitable share to the extent of its pro-rata share in each segment. The Authority has paid \$7,689,145 to the West Authority for its portion of the estimated Surface Water Supply Project realty costs.

***North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016***

Note 12 – Joint Facilities Agreement (continued)

Water Infrastructure Fund Bonds. The West Harris Authority is authorized to issue bonds financed through the Water Infrastructure Fund (WIF) of the Texas Water Development Board to fund a portion of the Surface Water Supply Project project costs. Debt service requirements for these bonds will be shared between the West Harris Authority and the Authority on a pro-rata basis. The Authority is required to make two payments to the West Harris Authority each year equal to the Authority's pro-rata share of the annual debt service on the bonds.

In 2012, the West Harris Authority issued its \$41,965,000 Series 2012 Water System Revenue Bonds related to this Agreement. The Authority's pro-rata share of these bonds is \$18,842,285, which was recorded on the *Statement of Net Position*. During the current year, the Authority paid the West Harris Authority \$1,094,152 for its pro-rata share of the annual debt service payment, which consists of a principal reduction of \$936,165 and an interest component of \$157,987. As of December 31, 2016, the outstanding balance of the liability is \$14,738,425.

As of December 31, 2016, the debt service requirements on the WIF obligation outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 936,165	\$ 157,987	\$ 1,094,152
2018	936,165	157,987	1,094,152
2019	936,165	156,677	1,092,842
2020	940,655	153,868	1,094,523
2021	945,145	149,071	1,094,216
2022-2026	4,853,690	616,019	5,469,709
2027-2031	5,190,440	276,194	5,466,634
	<u>\$ 14,738,425</u>	<u>\$ 1,667,803</u>	<u>\$ 16,406,228</u>

Operation of Joint Facilities. The responsible authority, which means the Authority for Segment 0, Segment 1A, and the Bellaire Pump Station and the West Harris Authority for the Surface Water Supply Project, will maintain, repair and operate the joint facilities for which it is responsible. Each party will pay their respective shares of operation and maintenance expenses which will be allocated based on the authorities' pro-rata share of the applicable joint facility. After the facilities go into service, each authority will pay a fraction of the monthly operation and maintenance expenses based on the amount of water received by each Authority from such facility. Each authority is required to establish a separate joint facilities account. All funds received and any expenses related to the joint facilities shall be accounted for through this account. Each month, the responsible authority will provide a bill for its respective share of the actual expenses made from the joint facilities account. Additionally, an initial deposit of one-fourth of the annual budget prepared for the joint facilities account will be billed. The authorities will establish a capital replacement account for each joint facility, the amount and timing of which will be mutually agreed upon.

North Fort Bend Water Authority
Notes to Financial Statements
December 31, 2016

Note 12 – Joint Facilities Agreement (continued)

The West Harris Authority established the required joint facilities account for costs associated with the Surface Water Supply Project and associated right of way. Additionally, the Authority paid \$8,585 to the West Harris Authority for its portion of the operating reserve and \$125,295 for its share of right of way maintenance expenses.

Note 13 – Water Trunkline Agreements

During 2013, the Authority and Fort Bend County Municipal Utility District No. 58 (“MUD 58”) and Fort Bend County Municipal Utility District No. 142 (“MUD 142”) entered into Water Trunkline Financing Agreements (the “Agreements”). In connection with the Agreements, the two districts requested that the Authority supply surface water to their water plants prior to the date originally planned by the Authority. In consideration for the early delivery of surface water, each district agreed to finance a portion of the costs to construct the required water trunkline systems. MUD 58 has paid the Authority a total of \$342,651 and MUD 142 has paid the Authority a total of \$520,137.

On March 23, 2016, the Authority, Fort Bend Improvement District No. 24 (“ID 24”) and ID 24’s developer, Sage Fulshear, West LLC., entered into a Water Trunkline Financing Agreement pursuant to which the Authority agreed to supply surface water to serve ID 24’s water plant prior to the date originally planned by the Authority. Under the terms of the agreement, the Authority agreed to construct a water line that will deliver a minimum of 200,000 gallons per day to ID 24. In consideration for the early delivery, ID 24 agreed to finance a portion of the costs to construct the water trunkline system.

Note 14 – Risk Management

The Authority is exposed to various risks related to: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority’s risk management program encompasses various means of protecting the Authority against loss by obtaining property, casualty and liability coverage through commercial insurance carriers. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage from the current year or the two prior years.

Note 15 - Unused Letter of Credit

The Authority was required to issue an Irrevocable Standby Letter of Credit in the amount of \$1,000,000 for the benefit of CenterPoint Energy Houston Electric, LLC (“CenterPoint”) to satisfy a security deposit requirement associated with a right of entry agreement for construction on property owned by CenterPoint. During the current fiscal year, the Letter of Credit was amended to extend the expiration date to June 4, 2017.

Note 16 – Subsequent Event

On May 3, 2017, the Authority approved a resolution authorizing a short term borrowing program in order to address timing differences between the Authority's obligations to the City (see Note 11) and financing approved by the TWDB (see Note 6) and planned open market bond financing. This program permits the Authority to enter into one or more note purchase agreements, initially with JPMorgan Chase Bank, N.A. ("JPMorgan"), under which it can issue variable rate, short term notes in the aggregate amount not to exceed \$150,000,000. The notes are secured by a lien on future bond proceeds and other available revenues, which are specifically defined as gross revenues less operating expenses less amounts needed to pay principal and interest on existing debt and to meet annual Reserve Fund and Coverage Fund requirements. The notes will be issued in increments of \$100,000 and must be issued for less than 364 days. The interest rate on the notes is calculated as 70% of LIBOR plus an additional percentage based on the Authority's underlying credit rating. JPMorgan's initial commitment to participate in the note purchase program is for a two year term, which may be extended.

When it enters into a note purchase agreement, the Authority will be required to pay a facility fee equal to 0.35%. Once a note is issued pursuant to a note purchase agreement, the drawn amount will be charged interest and the undrawn amount will be charged the facility fee. Interest on notes will be due monthly, while principal payments are due on maturity from bond proceeds or proceeds from a replacement note. As of the date of this audit, the Authority has not entered into any note purchase agreements.

NORTH FORT BEND COUNTY WATER AUTHORITY
ENTERPRISE FUND
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE ONE AND TWELVE MONTHS ENDED DECEMBER 31, 2017
[UNAUDITED]

	CURRENT PERIOD			YEAR-TO DATE			ANNUAL BUDGET
	ACTUAL	Budget	Variance	ACTUAL	Budget	Variance	
OPERATING REVENUES							
PUMPAGE FEES	\$ 1,016,305	\$ 973,786	\$ 42,519	\$ 19,720,754	\$ 21,639,750	\$ (1,918,996)	\$ 21,639,750
SALE OF SURFACE WATER	1,405,704	1,184,220	221,484	21,312,549	19,737,000	1,575,549	19,737,000
TAKE OR PAY CONTRACT FEES	-	-	-	-	-	-	-
LESS: CONSERVATION CREDITS (TOOLBOX)	(143,695)	(187,500)	43,805	(659,296)	(750,000)	90,704	(750,000)
LESS: WATER REUSE CREDITS	(78,372)	(40,000)	(38,372)	(78,372)	(400,000)	321,628	(400,000)
LESS: ALTERNATIVE W. SUPPLY CREDITS	-	-	-	-	-	-	-
LESS: CAPITAL CONTRIB CREDITS	(11,003)	(16,690)	5,687	(200,280)	(200,280)	-	(200,280)
IMPORT FEES	32,594	-	32,594	64,957	-	64,957	-
EQUALIZATION FEES	-	-	-	-	-	-	-
INTEREST ON INVESTMENTS - OPERATIONS	52,816	3,750	49,066	236,883	45,000	191,883	45,000
PENALTY INTEREST ON LATE PMTS	4,500	435	4,065	4,500	5,000	(500)	5,000
WISE GUY PROGRAM REIMBURSEMENTS	(2,566)	2,690	(5,256)	53,495	32,500	20,995	32,500
MISC REVENUES	0	-	0	9,325	-	9,325	-
TOTAL REVENUES FROM OPERATIONS	2,276,284	1,920,691	355,593	40,464,515	40,108,970	355,545	40,108,970
OPERATING EXPENSES							
OPERATIONS & MAINTENANCE							
REPAIR & MAINT - DISTRIBUTION SYSTEM	46,848	26,850	19,998	461,780	321,100	140,680	321,100
REPAIR & MAINT - D158 PUMP STATION	-	-	-	-	-	-	-
REPAIR & MAINT - BELLAIRE PUMP STATION	19,842	16,250	3,592	251,594	195,000	56,594	195,000
ELECTRICITY	30,845	32,565	(1,720)	376,148	391,000	(14,852)	391,000
TELEPHONE & DATA LINE SERVICES	2,203	1,630	573	21,610	20,000	1,610	20,000
PERMIT FEES	(67,244)	-	(67,244)	72,824	134,400	(61,576)	134,400
LAB FEES	-	4,315	(4,315)	60,770	52,000	8,770	52,000
CHEMICALS	2,877	8,315	(5,438)	29,263	100,000	(70,737)	100,000
CATHODIC PROTECTION MAINTENANCE	7,000	10,435	(3,435)	70,000	125,000	(55,000)	125,000
LEASE PAYMENTS - D158	-	-	-	-	-	-	-
ON CALL - UNDERGROUND UTILITIES	4,344	2,500	1,844	60,837	30,000	30,837	30,000
2ND SOURCE LINE ROW MAINTENANCE	21,100	9,281	11,819	91,967	111,801	(19,834)	111,801
PURCHASED WATER - COH							
WATER - COH O&M AND RAW WATER	250,992	241,083	9,909	4,123,367	4,018,059	105,308	4,018,059
WATER - FLUSHING LINES-CONVERSION	11,949	-	11,949	11,949	-	11,949	-
PROFESSIONAL FEES							
LEGAL FEES - OPERATIONS	69,039	45,000	24,039	560,635	540,000	20,635	540,000
LEGAL FEES - SPECIAL PROJECTS	18,306	27,885	(9,579)	282,842	404,400	(121,558)	404,400
AUDITING FEES	-	-	-	64,700	66,500	(1,800)	66,500
ENGINEERING FEES - GENERAL	136,839	100,815	36,024	958,033	1,210,000	(251,967)	1,210,000
ENGINEERING FEES - WATER CONSER	33,752	16,685	17,067	167,102	200,000	(32,898)	200,000
ENGINEERING FEES - MONUMENT MAINT	-	2,500	(2,500)	-	10,000	(10,000)	10,000
ENGINEERING FEES - GIS	828	2,065	(1,237)	11,752	25,000	(13,248)	25,000
ENGINEERING FEES - 5 YEAR INSPECTIONS	-	-	-	-	-	-	-
FINANCIAL ADVISOR FEES	-	815	(815)	-	10,000	(10,000)	10,000
RATE ANALYSIS CONSULTANT FEE	-	-	-	2,126	5,000	(2,874)	5,000
CONSERVATION CONSULTANT FEE	-	-	-	-	-	-	-
CONTRACTED SERVICES							
ACCOUNTANT FEES	(6,724)	11,685	(18,409)	106,950	140,000	(33,050)	140,000
OPERATOR FEES	23,000	22,935	65	268,000	275,000	(7,000)	275,000
TRUSTEE FEES	-	-	-	24,371	22,575	1,796	22,575
ADMINISTRATIVE EXPENSES							
DIRECTOR FEES	1,050	4,200	(3,150)	39,450	50,400	(10,950)	50,400
OFFICE SUPPLIES & EXPENSES	1,380	1,000	380	11,077	12,000	(923)	12,000
POSTAGE	96	-	96	197	-	197	-
INSURANCE	350	-	350	135,831	130,000	5,831	130,000
TRAVEL AND EXPENSES	134	1,685	(1,551)	11,045	20,000	(8,955)	20,000
MEETING EXPENSES	11,103	2,815	8,288	43,059	34,000	9,059	34,000
PAYROLL TAXES	80	336	(256)	3,018	3,856	(838)	3,856
LEGAL NOTICES	-	-	-	-	-	-	-
MEMBERSHIP DUES	-	2,784	(2,784)	9,949	11,139	(1,190)	11,139
ELECTION EXPENSES	-	-	-	-	-	-	-
MISCELLANEOUS EXPENSES	-	370	(370)	-	370	(370)	370

NORTH FORT BEND COUNTY WATER AUTHORITY

ENTERPRISE FUND STATEMENT OF REVENUES AND EXPENDITURES FOR THE ONE AND TWELVE MONTHS ENDED DECEMBER 31, 2017 [UNAUDITED]

	<u>CURRENT PERIOD</u>			<u>YEAR-TO-DATE</u>			ANNUAL BUDGET
	ACTUAL	Budget	Variance	ACTUAL	Budget	Variance	
COMMUNICATION SERVICES							
COMMUNICATION CONSULTANT	3,750	4,050	(300)	45,000	48,600	(3,600)	48,600
WEBSITE / PROS MGT & UPDATES	1,395	2,000	(605)	72,028	176,500	(104,472)	176,500
PRINTING, PUBLICATIONS& POSTAGE	759	2,500	(1,741)	11,024	30,000	(18,976)	30,000
NEWSLETTERS	-	-	-	82,000	82,000	-	82,000
COMM EVENTS / TOWN HALL MEETINGS	-	-	-	1,342	15,000	(13,658)	15,000
PUBLIC EDUCATION	16,250	3,750	12,500	61,131	75,000	(13,869)	75,000
COMM OUTREACH - ADS, SOCIAL MEDIA	1,970	1,000	970	134,415	125,500	8,915	125,500
COMM OUTREACH - OTHER	-	6,250	(6,250)	24,405	75,000	(50,595)	75,000
WATER CONSERVATION							
INCENTIVE PROGRAMS	-	-	-	22,503	12,000	10,503	12,000
WISE GUY PROGRAM INSPECTIONS	6,715	7,065	(350)	148,240	85,000	63,240	85,000
WISE GUY PROGRAM REBATES	1,125	1,250	(125)	24,795	15,000	9,795	15,000
LARRY'S TOOLBOX PROGRAMS	11,450	26,520	(15,070)	122,970	317,800	(194,830)	317,800
WATER CONSERVATION COMMITTEE	-	-	-	-	-	-	-
TOTAL EXPENDITURES FROM OPERATIONS	663,403	651,184	12,219	9,082,099	9,726,000	(643,901)	9,726,000
REVENUES (EXPENDITURES) FROM OPERATIONS BEFORE DEBT SERVICE	\$ 1,612,881	\$ 1,269,507	\$ 343,374	\$ 31,382,416	\$ 30,382,970	\$ 999,446	\$ 30,382,970
DEBT SERVICE PAYMENTS							
INTEREST EXPENSE	6,408,476	6,385,112	23,365	13,182,263	12,980,157	202,106	12,980,157
PRINCIPAL PAYMENTS	9,335,000	9,335,000	-	10,271,165	10,271,165	-	10,271,165
SERIES 2010-B BAB CREDIT	-	-	-	(368,961)	(367,180)	(1,781)	(367,180)
CAPITALIZED INTEREST	-	-	-	-	-	-	-
REVENUE NOTE FEES	17,889	-	17,889	27,222	173,500	(146,278)	173,500
OTHER DEBT SERVICE EXPENSES	-	-	-	-	5,000	(5,000)	5,000
PAID FROM IMPROV FUND (W/F PMT)	-	-	-	-	-	-	-
INTEREST ON INVESTMENTS - DSF	(114,767)	(8,315)	(106,452)	(330,816)	(100,000)	(230,816)	(100,000)
NET DEBT SERVICE PAYMENT ACTIVITY	15,646,598	15,711,797	(65,198)	22,780,873	22,962,642	(181,769)	22,962,642
CAPITAL OUTLAY & OTHER							
PURCHASED WATER- COH REHAB	132,072	47,604	84,468	1,448,563	793,428	655,135	793,428
FBSD CONSERV CR (SCHOOL KITS)	-	-	-	72,622	125,000	(52,378)	125,000
LEGAL FEES- CONSTRUCTION - GENERAL	60,753	30,000	30,753	441,844	360,000	81,844	360,000
LEGAL FEES- CONSTRUCTION - SP PROJECT	-	-	-	-	-	-	-
PURCHASED WATER- COH- TRUE UP	(337,646)	-	(337,646)	(266,430)	-	(266,430)	-
PAID FROM BOND PROCEEDS / IMPROV FUND	(192,825)	(77,604)	222,425	(1,963,029)	(1,278,428)	(418,171)	(1,278,428)
CONSTR PROJECTS TO BE PAID - IMPROV FUND	-	-	-	-	-	-	7,420,328
NET CAPITAL OUTLAY & OTHER	(337,646)	-	-	(266,430)	-	-	7,420,328
NET REVENUES (EXPENDITURES) AFTER DEBT SERVICE & CAPITAL OUTLAY	\$ (13,696,071)	\$ (14,442,290)	\$ 408,572	\$ 8,867,972	\$ 7,420,328	\$ 1,181,215	\$ -

TRUST AGREEMENT REQUIRES FEES COLLECTED BE TRANSFERRED TO MEET NEXT DEBT SERVICE PAYMENT, AFTER FUNDING OPERATIONS; BALANCE IS TRANSFERRED TO IMPROVEMENT FUND:

FUNDS COLLECTED FOR 6/15/18 DEBT	\$8,867,972
TRANSFERRED TO IMPROVEMENT FUND	\$0
	\$8,867,972

Shayna Johnson

From: Colette Garcia <colette@mcgrath-co.com>
Sent: Tuesday, April 10, 2018 9:05 AM
To: Pam Lightbody
Subject: RE: NFBWA Financial Statement Audit

There wasn't a management letter due to McCall's pre-audit.

From: Pam Lightbody [mailto:pelightbody@avantaserv.com]
Sent: Tuesday, April 10, 2018 9:03 AM
To: Colette Garcia <colette@mcgrath-co.com>
Subject: RE: NFBWA Financial Statement Audit
Importance: High

The TWDB SWIFT application requires us to submit several items including the Management Letter for FYE 12/31/16. I don't believe I received a copy. Could you please forward ASAP?
Thanks

Pam

From: Colette Garcia [mailto:colette@mcgrath-co.com]
Sent: Tuesday, May 16, 2017 6:37 PM
To: Justine Cherne (jcherne@abhr.com)
Cc: Pam Lightbody; Pamela Logsdon; Terrell Palmer (tpalmer@firstsw.com); Christina Miller ; David Oliver; Mark McGrath
Subject: NFBWA Financial Statement Audit

Attached is a PDF of the final audited financial statements for the Authority. Please note that we do not file the Authority's audit with TCEQ. Hard copies of the report will be mailed in a couple of weeks.

Thanks,

Colette Garcia, CPA
McGrath & Co., PLLC
2500 Tanglewilde, Suite 340
Houston, Texas 77063
713.493.2602

North Fort Bend Water Authority

Senior Lien Bonds

Series 2009					Series 2010A				Series 2010B				Series 2011			
Year Ending	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total
12/15/2018	4,610,000	4.25%	6,007,226	10,617,226	2,185,000	3.00%	1,292,850	3,477,850	-	0.00%	1,130,481	1,130,481	2,515,000	5.25%	3,488,638	6,003,638
12/15/2019	4,805,000	4.40%	5,811,301	10,616,301	2,250,000	3.00%	1,227,300	3,477,300	-	0.00%	1,130,481	1,130,481	2,650,000	5.25%	3,356,600	6,006,600
12/15/2020	5,015,000	4.38%	5,599,881	10,614,881	2,315,000	3.00%	1,159,800	3,474,800	-	0.00%	1,130,481	1,130,481	2,790,000	5.00%	3,217,475	6,007,475
12/15/2021	5,235,000	5.00%	5,380,475	10,615,475	2,385,000	3.13%	1,090,350	3,475,350	-	0.00%	1,130,481	1,130,481	2,925,000	5.00%	3,077,975	6,002,975
12/15/2022	5,500,000	5.00%	5,118,725	10,618,725	2,460,000	3.25%	1,015,819	3,475,819	-	0.00%	1,130,481	1,130,481	3,075,000	4.50%	2,931,725	6,006,725
12/15/2023	5,775,000	5.00%	4,843,725	10,618,725	2,540,000	5.00%	935,869	3,475,869	-	0.00%	1,130,481	1,130,481	3,210,000	4.50%	2,793,350	6,003,350
12/15/2024	6,060,000	5.00%	4,554,975	10,614,975	2,665,000	3.63%	808,869	3,473,869	-	0.00%	1,130,481	1,130,481	3,355,000	4.50%	2,648,900	6,003,900
12/15/2025	6,365,000	5.25%	4,251,975	10,616,975	2,765,000	3.75%	712,263	3,477,263	-	0.00%	1,130,481	1,130,481	3,505,000	4.00%	2,497,925	6,002,925
12/15/2026	6,700,000	5.25%	3,917,813	10,617,813	2,865,000	3.75%	608,575	3,473,575	-	0.00%	1,130,481	1,130,481	3,650,000	4.13%	2,357,725	6,007,725
12/15/2027	7,050,000	5.25%	3,566,063	10,616,063	2,975,000	3.75%	501,138	3,476,138	-	0.00%	1,130,481	1,130,481	3,800,000	4.25%	2,207,163	6,007,163
12/15/2028	7,420,000	5.25%	3,195,938	10,615,938	3,085,000	4.00%	389,575	3,474,575	-	0.00%	1,130,481	1,130,481	3,960,000	4.25%	2,045,663	6,005,663
12/15/2029	7,810,000	5.25%	2,806,388	10,616,388	3,210,000	4.00%	266,175	3,476,175	-	0.00%	1,130,481	1,130,481	4,130,000	4.38%	1,877,363	6,007,363
12/15/2030	8,220,000	5.25%	2,396,363	10,616,363	3,340,000	4.13%	137,775	3,477,775	-	0.00%	1,130,481	1,130,481	4,310,000	4.50%	1,696,675	6,006,675
12/15/2031	8,650,000	5.25%	1,964,813	10,614,813					3,475,000	6.02%	1,130,481	4,605,481	4,505,000	4.50%	1,502,725	6,007,725
12/15/2032	9,105,000	5.25%	1,510,688	10,615,688					3,610,000	6.02%	921,356	4,531,356	4,705,000	5.00%	1,300,000	6,005,000
12/15/2033	9,585,000	5.25%	1,032,675	10,617,675					3,750,000	6.02%	704,106	4,454,106	4,940,000	5.00%	1,064,750	6,004,750
12/15/2034	10,085,000	5.25%	529,463	10,614,463					3,900,000	6.02%	478,431	4,378,431	5,190,000	5.00%	817,750	6,007,750
									4,050,000	6.02%	243,729	4,293,729	5,445,000	5.00%	558,250	6,003,250
													5,720,000	5.00%	286,000	6,006,000
	117,990,000		62,488,484	180,478,484	35,040,000		10,146,356	45,186,356	18,785,000		18,174,360	36,959,360	74,380,000		39,726,650	114,106,650

North Fort Bend Water Authority

Junior Lien Bonds

Series 2015					Series 2016A				Series 2016B				Series 2017			
Year Ending	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total
12/15/2018	385,000	0.56%	136,200	521,200	340,000	0.00%	57,914	397,914	285,000	0.65%	244,417	529,417	-	0.00%	2,853,469	2,853,469
12/15/2019	390,000	0.72%	134,044	524,044	340,000	0.00%	57,914	397,914	290,000	0.76%	242,564	532,564	-	0.00%	2,542,695	2,542,695
12/15/2020	390,000	0.87%	131,236	521,236	345,000	0.00%	57,914	402,914	290,000	0.84%	240,360	530,360	-	0.00%	2,542,695	2,542,695
12/15/2021	395,000	1.01%	127,843	522,843	350,000	0.00%	57,914	407,914	295,000	0.91%	237,924	532,924	-	0.00%	2,542,695	2,542,695
12/15/2022	400,000	1.16%	123,853	523,853	355,000	0.00%	57,914	412,914	295,000	0.99%	235,240	530,240	-	0.00%	2,542,695	2,542,695
12/15/2023	405,000	1.30%	119,213	524,213	360,000	0.03%	57,914	417,914	300,000	1.09%	232,319	532,319	-	0.00%	2,542,695	2,542,695
12/15/2024	415,000	1.39%	113,948	528,948	365,000	0.20%	57,806	422,806	305,000	1.20%	229,049	534,049	-	0.00%	2,542,695	2,542,695
12/15/2025	420,000	1.47%	108,180	528,180	370,000	0.32%	57,076	427,076	310,000	1.29%	225,389	535,389	-	0.00%	2,542,695	2,542,695
12/15/2026	425,000	1.64%	102,006	527,006	375,000	0.42%	55,892	430,892	315,000	1.37%	221,390	536,390	-	0.00%	2,542,695	2,542,695
12/15/2027	435,000	1.81%	95,036	530,036	380,000	0.55%	54,317	434,317	320,000	1.57%	217,075	537,075	-	0.00%	2,542,695	2,542,695
12/15/2028	445,000	1.96%	87,162	532,162	385,000	0.64%	52,227	437,227	330,000	1.69%	212,051	542,051	3,250,000	1.92%	2,542,695	5,792,695
12/15/2029	455,000	2.10%	78,440	533,440	395,000	0.69%	49,763	444,763	335,000	2.01%	206,474	541,474	3,350,000	2.14%	2,480,295	5,830,295
12/15/2030	465,000	2.20%	68,885	533,885	405,000	0.74%	47,038	452,038	340,000	2.18%	199,740	539,740	3,450,000	2.33%	2,408,605	5,858,605
12/15/2031	475,000	2.28%	58,655	533,655	415,000	0.79%	44,041	459,041	350,000	2.29%	192,328	542,328	3,555,000	2.52%	2,328,220	5,883,220
12/15/2032	485,000	2.32%	47,825	532,825	425,000	0.84%	40,762	465,762	360,000	2.33%	184,313	544,313	3,660,000	2.63%	2,238,634	5,898,634
12/15/2033	495,000	2.37%	36,573	531,573	435,000	0.89%	37,192	472,192	370,000	2.39%	175,925	545,925	3,770,000	2.71%	2,142,376	5,912,376
12/15/2034	510,000	2.39%	24,842	534,842	445,000	0.93%	33,321	478,321	380,000	2.52%	167,082	547,082	3,880,000	2.78%	2,040,209	5,920,209
12/15/2035	525,000	2.41%	12,653	537,653	455,000	0.96%	29,182	484,182	390,000	2.50%	157,506	547,506	4,000,000	2.83%	1,932,345	5,932,345
12/15/2036					470,000	0.98%	24,814	494,814	400,000	2.54%	147,756	547,756	4,120,000	2.88%	1,819,145	5,939,145
12/15/2037					480,000	0.99%	20,208	500,208	415,000	2.71%	137,596	552,596	4,240,000	2.91%	1,700,489	5,940,489
12/15/2038					495,000	1.00%	15,456	510,456	425,000	2.71%	126,350	551,350	4,370,000	2.97%	1,577,105	5,947,105
12/15/2039					510,000	1.01%	10,506	520,506	440,000	2.71%	114,832	554,832	4,500,000	3.10%	1,447,316	5,947,316
12/15/2040					525,000	1.02%	5,355	530,355	455,000	2.71%	102,908	557,908	4,635,000	3.12%	1,307,816	5,942,816
12/15/2041									465,000	2.71%	90,578	555,578	4,775,000	3.12%	1,163,204	5,938,204
12/15/2042									480,000	3.04%	77,976	557,976	4,915,000	3.13%	1,014,224	5,929,224
12/15/2043									495,000	3.04%	63,384	558,384	5,065,000	3.21%	860,385	5,925,385
12/15/2044									515,000	3.04%	48,336	563,336	5,215,000	3.21%	697,798	5,912,798
12/15/2045									530,000	3.04%	32,680	562,680	5,375,000	3.20%	530,397	5,905,397
12/15/2046									545,000	3.04%	16,568	561,568	5,535,000	3.19%	358,397	5,893,397
12/15/2047													5,700,000	3.19%	181,830	5,881,830
	7,915,000		1,606,590	9,521,590	9,420,000		982,439	10,402,439	11,025,000		4,780,107	15,805,107	87,360,000		56,509,207	143,869,207

North Fort Bend Water Authority

Senior Lien Bonds

<u>Series</u>	<u>Principal Amount</u>	<u>Current Holders</u>
W Sys Rev Bds Ser 2011	74,380,000	Open Market
W Sys Rev Bds Ser 2010A	35,040,000	Open Market
W Sys Rev Bds Ser 2010B (Direct Subsidy Build America Bonds)	18,785,000	Open Market
W Sys Rev Bds Ser 2009	<u>117,990,000</u>	Open Market
	246,195,000	

Junior Lien Bonds

<u>Series</u>	<u>Principal Amount</u>	<u>Current Holders</u>
W Sys Jr Lien Rev Bds Ser 2017	87,360,000	TWDB
W Sys Jr Lien Rev Bds Ser 2016B	11,025,000	TWDB
W Sys Jr Lien Rev Bds Ser 2016A	9,420,000	TWDB
W System Jr Lien Rev Bds Ser 2015	<u>7,915,000</u>	TWDB
	115,720,000	

C76188
2015-0138

**SECOND SUPPLEMENT TO WATER SUPPLY CONTRACT
BETWEEN THE CITY OF HOUSTON, TEXAS AND THE
NORTH FORT BEND 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 **NORTH FORT BEND 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 July 23, 2008 (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 2013-0047 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, West Harris County Regional Water Authority, and Central 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 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 7 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 19.5 MGD to 88 MGD. Accordingly, the Authority hereby makes a Reservation request for 11.46 MGD in Phase 1 of the Expansion Project (the "Phase 1 Expansion Project Reservation") and 57.04 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 \$391,461.45, subject to the provisions of Article VIII. The Authority agrees to pay Houston such \$391,461.45, 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 \$391,461.45, 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's 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.

[[Oversizing Costs as reflected in the Final Accounting + Houston's related borrowing costs)/Oversized Facilities Design Capacity in MGD] * 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.* The Parties' rights and obligations under Section 4.02 of the Contract shall be amended as provided in this Section 11.2.

11.2.1 With respect to Houston's East Water Purification Plant and the Transmission Facilities, as defined in the Contract, in which the Authority has its Treated Water Demand Allocation as of the Second Supplement Effective Date, the calculation of the yearly O&M Expenses, as defined in the Contract, shall continue to be done pursuant to the formula set forth in Section 4.02 of the Contract with (i) the "Point(s) of Delivery" being the Point of Delivery under the Contract as of the Second Supplement Effective Date, (ii) "Plant Facilities" being Houston's East Water Purification Plant, and (iii) "Transmission Facilities" being those Transmission Facilities in which the Authority has its Treated Water Demand Allocation as of the Second Supplement Effective Date.

11.2.2 With respect to the Expansion Project and any Transmission Facilities used by the Authority to obtain Water out of the Expansion Project, after the Authority begins receiving Water from the Expansion Project, the calculation of the yearly O&M Expenses shall be done by a separate calculation using the same formula set forth in Section 4.02 of the Contract, except that: (i) the "Point(s) of Delivery" shall be that Point of Delivery shown on Exhibit "F" of this Second Supplement as revised pursuant to Section 11.3 (as opposed to the Point of Delivery under the Contract as of the Second Supplement Effective Date), (ii) "Plant Facilities" shall be the Expansion Project (as opposed to the NEWPP's existing facilities or Houston's East Water Purification Plant), and (iii) "Transmission Facilities" shall be any Transmission Facilities used by the Authority to obtain Water out of the Expansion Project (as opposed to the Transmission Facilities in which the Authority has its Treated Water Demand Allocation as of the Second Supplement Effective Date).

11.2.3 The term "Plant Facilities" is currently defined in the Contract as Houston's East Water Purification Plant. 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 mean the Expansion Project (but not the NEWPP's existing facilities).

- 11.2.4 The second sentence of item "F" in Section 4.02 of the Contract 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 MGD) 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."

Section 11.3 *Additional Points of Delivery & Measurement.* With respect to Water received from the Expansion Project, the two options for the general location of the "Point of Delivery" and "Point of Measurement" are identified on Exhibit "F" of this Second Supplement (which is in addition to the existing Point of Delivery and Point of Measurement set forth in the Contract). The West Harris County Regional Water Authority may (on behalf of itself and the North Fort Bend Water Authority), at its option, identify which of the two general locations it has determined to utilize and the specific portion of land within such general location (estimated to be up to approximately 4 acres) on which it desires to purchase an easement (the "Easement Tract"). The West Harris County Regional Water Authority may (on behalf of itself and the North Fort Bend Water Authority) request in writing that Houston convey an easement on the Easement Tract (in the form attached hereto as Exhibit "G") to the West Harris County Regional Water Authority, and Houston will convey such easement to it within 90 days after receiving such request, so that the Authority may install water meters and associated water lines thereon, in accordance with any then current Houston design and permitting requirements applicable to the Easement Tract. Contemporaneously with Houston's conveyance of the easement for the Easement Tract, the Project Director shall (i) revise Exhibit "F" to reflect the final Easement Tract, upon which the "Point of Delivery" and "Point of Measurement" are to be located, (ii) post the revised Exhibit "F" on the Work Management System, and (iii) concurrently provide an email (or other written notice) to the Representative notifying the Representative that the revised Exhibit "F" has been posted to the Work Management System. The Project Director, the West Harris County Regional Water Authority, and the North Fort Bend Water Authority may collectively agree to modifications of this paragraph and Exhibits "F" and "G".

In consideration for receiving said easement, the West Harris County Regional Water Authority shall be responsible to pay to Houston the fair market value of said easement, which value shall be established by an appraisal report prepared by an independent appraiser (mutually selected by Houston and the West Harris County Regional Water Authority). The West Harris County Regional Water Authority shall be responsible to pay the fees for such appraiser.

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.

ARTICLE XII

SIGNATURES

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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.

WITNESS:

NORTH FORT BEND
WATER AUTHORITY

By: Melony Gay

Name: Melony Gay

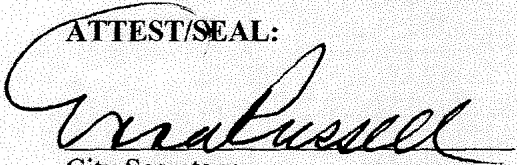
Title: Secretary

By: Peter C. Houghton

Name: Peter C. Houghton


Title: President

ATTEST/SEAL:

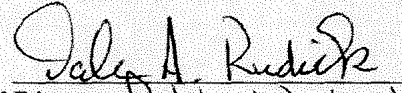

City Secretary

CITY OF HOUSTON, TEXAS

Signed by:


Mayor Amanda Washington


APPROVED:


II Director, Public Works + Eng
Department

COUNTERSIGNED BY:


City Controller James Pelt

APPROVED AS TO FORM:


Assistant City Attorney
L.D. File No. _____

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%	100.000%	100.000%

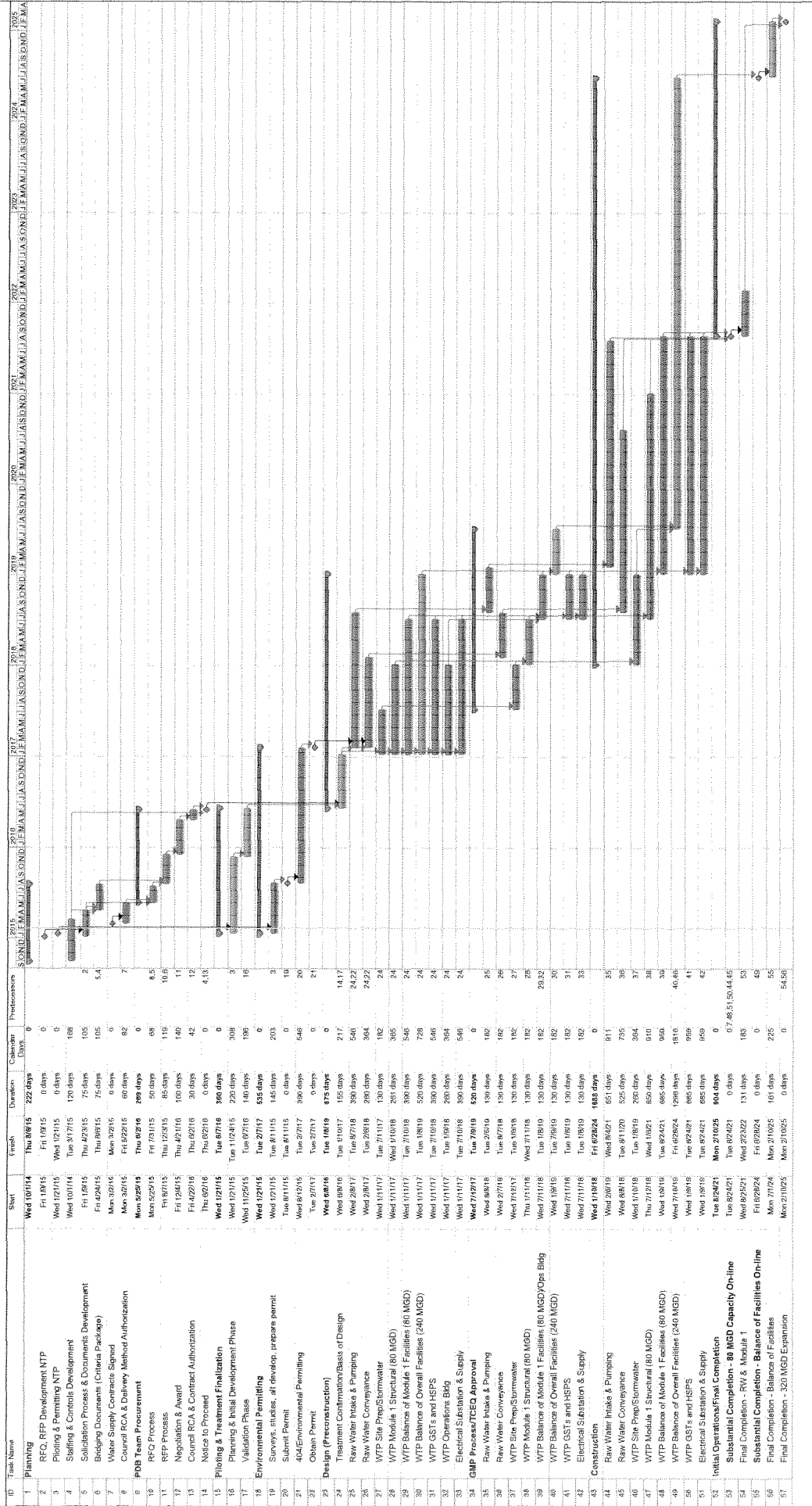
* Represents Houston's additional capacity in the Expansion Project, as Houston does not have an Expansion Project Reservation.

** 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

NEWPP EXPANSION PROJECT
 BASELINE SCHEDULE
 DRAFT VERSION 1.1A



Project Name	Task	Summary	Progress	Measure	External Tasks	External Milestones	Deadline
NEWPP Expansion	Task	Summary	Progress	Measure	External Tasks	External Milestones	Deadline

EXHIBIT "D"
ESCROW AGREEMENT

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 \$ 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



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 Lindsay Kovar
North Fort Bend Water Authority
5635 Northwest Central Drive, Suite 104E
Houston, Texas 77092
713-934-9110
Customer ID 7099-3027-5017

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)	\$ 1,359,084.00	21.406%	\$ 1,359,084.00
Multi-Phase PWE Cost Recovery	\$ 134,039.00	21.406%	\$ 134,039.00
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			<u>\$ 1,493,123.00</u>
<i>Surplus from Previous Cash Calls</i>			\$ -

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

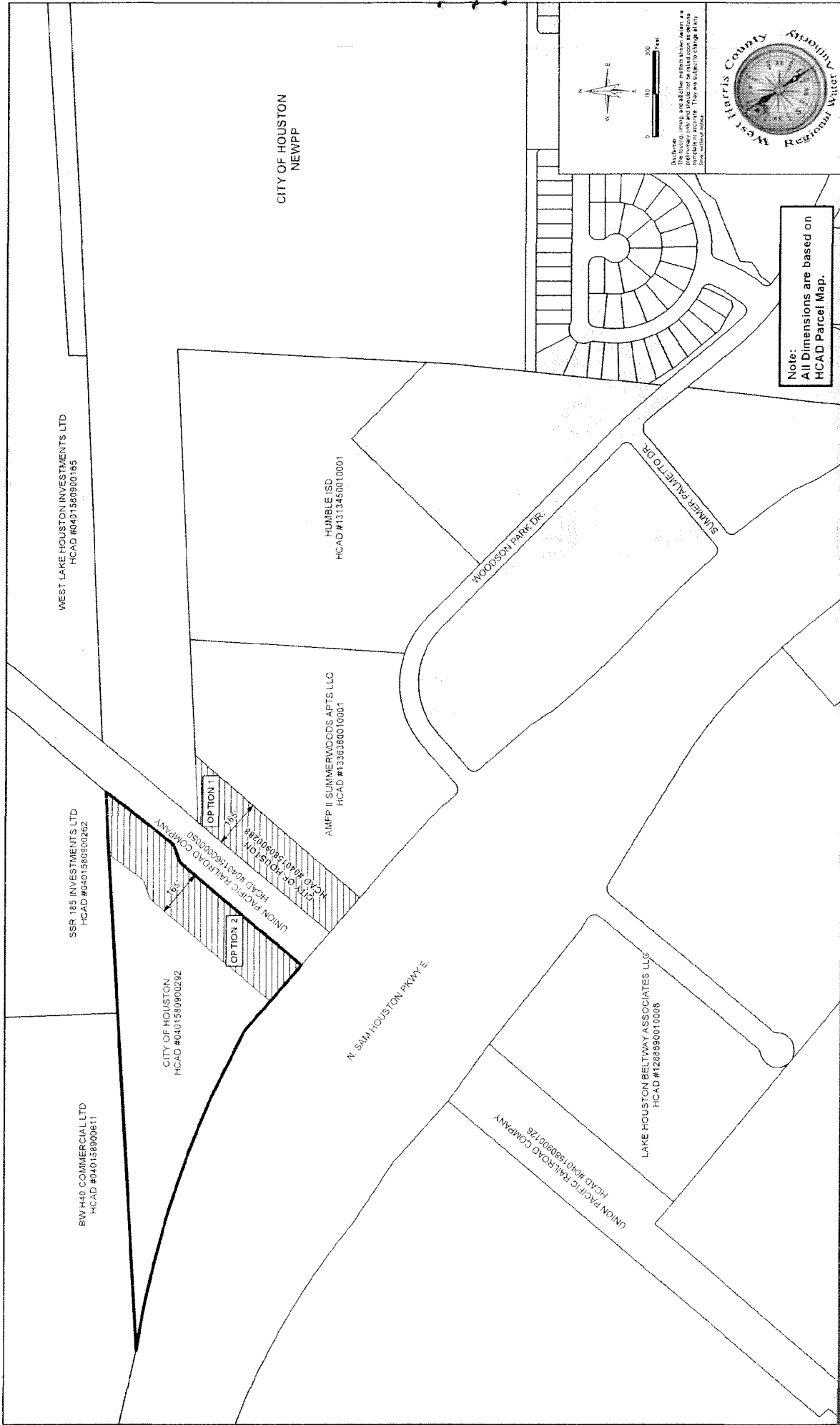
COH Ord No.	Date	Appropriated & Authorized		
		Appropriated \$s	Contract	Cost Recovery
Remaining \$s from 3 Ordinances authorized and not spent	N/A	\$ 875,173	\$ 749,004	\$ 126,169
2012-0121, 2013-155 & 2014-0160				
2014-0962 Carollo Engineering	10/14/2014	\$ 5,500,000	\$ 5,000,000	\$ 500,000
2014-1183 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

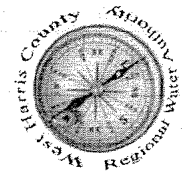
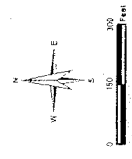
Participants	Appropriation Allocation to Participants		
	%	Appropriated \$s	Contract
TOTAL		\$ 6,975,173	\$ 6,349,004
NHCRWA	35.313%	\$ 2,463,108	\$ 2,241,992
CHCRWA	1.525%	\$ 106,371	\$ 96,822
NFBWA	21.406%	\$ 1,493,123	\$ 1,359,084
WHCRWA	25.756%	\$ 1,796,543	\$ 1,635,265
COH	16.000%	\$ 1,116,028	\$ 1,015,841
Total	100.000%	\$ 6,975,173	\$ 6,349,004

EXHIBIT "F"

**POINT OF DELIVERY AND POINT OF MEASUREMENT
FOR EXPANSION PROJECT**



Note:
All Dimensions are based on
HCAD Parcel Map.



DANNENBAUM
ENGINEERING CONSULTANTS
15000 WESTHOUSTON ROAD, SUITE 100
HOUSTON, TEXAS 77058

Date: Jan 2015 Page 1 of 1

Exhibit F Point of Delivery and Point of Measurement for WHCRA & NFBWA
(at Beltway 8 and the City of Houston NEWPP)

EXHIBIT "G"

FORM OF EASEMENT

WHEREAS, the Second Supplement provides that Grantor, if requested by Grantee, will convey an easement to Grantee so that Grantee may install water meters and associated water lines on the property described as EXHIBIT A; and

WHEREAS, Grantee has requested such easement from Grantor, and it is Grantor's intent to convey such easement;

NOW, THEREFORE, Grantor, for the Consideration, grants and conveys to Grantee the Easement over, under and across the Property, together with, all and singular, the rights and appurtenances thereto in anywise belonging, to have and hold to Grantee and Grantee's successors and assigns forever. Grantor binds Grantor and Grantor's successors and assigns to warrant and forever defend, all and singular, the Easement in and to the Property to Grantee and Grantee's successors and assigns against every person whosoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor, but not otherwise. This conveyance is made subject to all restrictions, covenants, conditions, rights-of-way, easements, mineral reservations, royalty reservations and other items of record, if any, in the office of the County Clerk of Harris County, Texas, but only to the extent that the same are valid and subsisting and affect the Property.

Grantee shall have such access across, along, under and upon the Property, and may enter upon the Property to engage in such activities as may be necessary, requisite, convenient or appropriate in connection with the Easement. Grantee's rights in and to the Property shall include, without limitation, the right to clear and remove trees, growth and shrubbery from within the Property, the right to construct or install a roadway to provide pedestrian and vehicular access from the Easement to a public right of way if no such roadway exists, and the right to bring and operate such equipment upon the Easement and the Property as may be necessary or appropriate to effectuate the purposes for which the Easement is granted.

Grantor reserves the right to use the Property for purposes not inconsistent with Grantee's permitted use of the Easement, including but not limited to, paving, curbing, utility lines, sidewalks and landscaping, provided such use shall not interfere with the exercise by Grantee of the rights hereby granted. Grantee and its successors and assigns shall, in the use and, enjoyment of the Easement, use reasonable efforts to minimize interference with Grantor's other uses of the Property and damage to Grantor's improvements, if any. Grantee shall restore all areas disturbed by Grantee in the performance of any work in connection with the Easement to the extent reasonably possible.

[Additionally, Grantor grants and conveys to Grantee a temporary construction easement (the "Temporary Construction Easement") for Grantee's use in constructing its facilities, over, under, and across that certain tract of land described on EXHIBIT B attached hereto. The Temporary Construction Easement shall terminate ninety (90) days after the construction and installation of Grantee's facilities within the Property has been completed and such facilities have been accepted by the Board of Directors of Grantee, and any necessary approvals for such facilities have been provided by the City of Houston. Upon termination, the Temporary Construction Easement shall automatically revert to Grantor without the necessity for Grantor to take any action.]

Notwithstanding anything herein to the contrary, Grantor and Grantee agree to coordinate the installation and construction of any roadway on the Property. If Grantee constructs such a roadway, Grantor shall have the right to use it for pedestrian and vehicular ingress and egress in common with Grantee. If Grantor constructs such a roadway, Grantee shall have the right to use it for pedestrian and vehicular ingress and egress in common with Grantor. In no event shall both Grantee and Grantor construct separate roadways on the Property without prior written consent of Grantor's Director of Public Works and Engineering and Grantee.

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NFBWA Phase 2 Distribution Segments
Attachment D57. Census Tracts

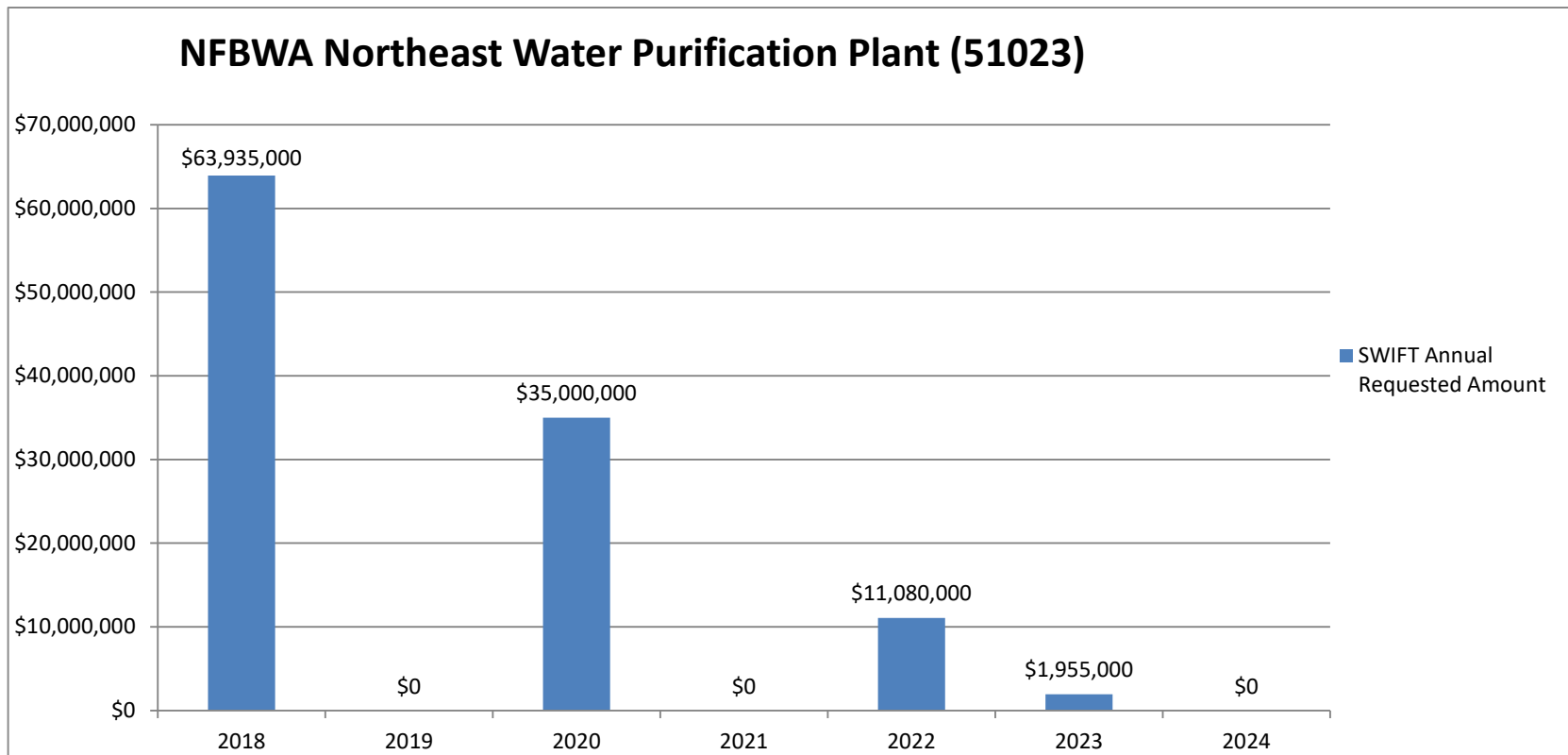
Census Tract 6754
Census Tract 4543.02
Census Tract 6758
Census Tract 6732
Census Tract 6734
Census Tract 6733
Census Tract 4545.02
Census Tract 4551.02
Census Tract 6737
Census Tract 6801
Census Tract 4549
Census Tract 4550
Census Tract 4553
Census Tract 4538
Census Tract 4539
Census Tract 4540
Census Tract 4542
Census Tract 4548
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Census Tract 6726.01
Census Tract 6730.01
Census Tract 6730.03
Census Tract 6723.02
Census Tract 6727.02
Census Tract 6723.01
Census Tract 6726.02
Census Tract 6727.01
Census Tract 6730.02
Census Tract 6722
Census Tract 6724
Census Tract 6725
Census Tract 6728
Census Tract 6729
Census Tract 6735
Census Tract 6736

North Fort Bend Water Authority Population and Water Demand Projections
2018 SWIFT Application Attachment D59

Year	Population	Water Demand (MGD)
2018	238,600	42.94
2019	252,300	45.40
2020	263,300	47.39
2021	275,100	49.51
2022	285,700	51.42
2023	297,100	53.47
2024	307,400	55.33
2025	317,200	57.09
2026	322,900	58.10
2027	327,800	58.99
2028	332,300	59.81
2029	339,800	61.16
2030	347,900	62.61
2031	357,600	64.35
2032	367,600	66.16
2033	377,100	67.87
2034	385,200	69.32
2035	391,700	70.50
2036	397,600	71.56
2037	404,500	72.81
2038	412,000	74.16
2039	420,300	75.65
2040	429,200	77.25
2041	438,900	78.99
2042	439,600	79.11
2043	440,300	79.24
2044	441,000	79.37
2045	441,700	79.49
2046	442,400	79.62
2047	443,100	79.75
2048	443,800	79.87
2049	444,500	80.00
2050	445,200	80.13
2051	445,600	80.20
2052	446,000	80.26
2053	446,300	80.33
2054	446,700	80.40
2055	447,100	80.47
2056	447,500	80.53
2057	447,800	80.60
2058	448,200	80.67
2059	448,600	80.74
2060	449,000	80.80
2061	449,200	80.84
2062	449,300	80.87
2063	449,500	80.91
2064	449,700	80.94
2065	449,900	80.98
2066	450,100	81.01
2067	450,300	81.05
2068	450,500	81.08
2069	450,700	81.12
2070	450,900	81.15

Attachment E69
Commitment Schedule - NEWPP

Loan Close Date	SWIFT Annual Requested Amount
2018	\$63,935,000
2019	\$0
2020	\$35,000,000
2021	\$0
2022	\$11,080,000
2023	\$1,955,000
2024	\$0
Total	\$111,970,000



EIGHTH SUPPLEMENTAL INDENTURE OF TRUST

BETWEEN

NORTH FORT BEND WATER AUTHORITY

and

REGIONS BANK, as Trustee

AUTHORIZING

**\$339,480,000 NORTH FORT BEND WATER AUTHORITY
WATER SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2018**

Dated as of _____, 2018

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EXHIBITS

Exhibit A - Form of Series 2018 Bonds

EIGHTH SUPPLEMENTAL INDENTURE OF TRUST
AUTHORIZING
\$339,480,000 NORTH FORT BEND WATER AUTHORITY
WATER SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2018

THIS EIGHTH SUPPLEMENTAL INDENTURE OF TRUST, dated as of _____, 2018 (the "Eighth Supplemental Indenture"), is made by and between **NORTH FORT BEND WATER AUTHORITY** (the "Authority"), a political subdivision of the State of Texas, and **REGIONS BANK**, in its capacity as trustee (together with any successor trustee hereunder, the "Trustee"), an Alabama state banking corporation with powers and authorized to do business in the State of Texas.

WITNESSETH:

WHEREAS, pursuant to Senate Bill 1798, 79th Texas Legislature, which enacted Chapter 8813, Texas Special District Local Laws Code, as amended (the "Act"), the Authority was created as a political subdivision of the State of Texas; and

WHEREAS, pursuant to the Act, the Authority was created under and is essential to accomplish the purposes of Section 59, Article XVI, of the Texas Constitution, including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivision, and other public purposes stated in the Act; and

WHEREAS, in order to secure the Bonds, Notes and Obligations, the Authority has entered into an Indenture of Trust, dated as of June 1, 2009, with the Trustee for the purpose of assigning and pledging to the Trustee the Trust Estate, which includes the Pledged Revenues and Pledged Funds, and providing that the Trust Estate be held by the Trustee to secure the payment of principal of and interest on all Bonds, Notes and Obligations; and

WHEREAS, the Authority has determined to issue the Series 2018 Bonds (as defined herein) under said Indenture of Trust and this Eighth Supplemental Indenture to: (i) fund Project Costs (as defined herein) of the Project (as defined herein), (ii) fund the Junior Lien Reserve Fund Requirement (as defined herein) attributable to the Series 2018 Bonds, and (iii) pay for the Costs of Issuance (as defined herein) of the Series 2018 Bonds; and

WHEREAS, the Authority has requested financial assistance from the TWDB (as defined herein) through the TWDB's State Water Implementation Revenue Fund for Texas in connection with certain costs related to the Project; and

WHEREAS, the Authority desires to enter into this Eighth Supplemental Indenture for such purposes; and

WHEREAS, the Authority also desires to define certain terms relating to the Bonds to be issued; and

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the owners thereof from time to time, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Authority and the Trustee do hereby mutually covenant and agree, for the equal and proportionate benefit of the respective owners from time to time of the Bonds, as follows:

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. Authority. This Eighth Supplemental Indenture is supplemental to, and is adopted in accordance with the Indenture, including Articles III and X of the Indenture.

SECTION 102. Definitions.

A. Except as provided in subsection B of this Section, all defined terms contained in the Indenture shall have the same meanings in this Eighth Supplemental Indenture as such defined terms are given in Section 101 (as amended) of the Indenture, unless the context shall otherwise require.

B. In addition to the terms defined elsewhere in this Eighth Supplemental Indenture, the following terms, as used in this Eighth Supplemental Indenture, shall have the following respective meanings but only for the purposes of the Bonds and this Eighth Supplemental Indenture.

“*Bonds or Series 2018 Bonds*” shall mean the Bonds authorized by this Eighth Supplemental Indenture in the aggregate principal amount of \$339,480,000 and designated North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2018.

“*City*” shall mean the City of Houston, Texas.

“*Costs of Issuance or Series 2018 Cost of Issuance*” shall mean any and all costs incurred in connection with the authorization, issuance, sale and delivery of the Bonds, which shall include all of the Authority’s out-of-pocket expenses in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, all financing, legal, financial advisory, printing and other expenses and costs of the Authority necessary to the issuance of the Bonds.

"Date of Delivery" shall mean _____, 2018.

"Dated Date" shall mean _____, 2018.

"Escrow Agent" shall mean Compass Bank, an Alabama banking corporation, its successors and assigns.

"Escrow Agreement" shall mean that certain Escrow Agreement between the Authority and the Escrow Agent, dated as of _____, 2018, pertaining to the deposit of the proceeds of the Bonds.

"Financing Agreement" means that certain Financing Agreement entered into between the Authority and the TWDB dated _____, 2018.

"First Supplemental Indenture" shall mean the First Supplemental Indenture of Trust, dated as of June 1, 2009, authorizing the Series 2009 Bonds.

"Fifth Supplemental Indenture" shall mean the Fifth Supplemental Indenture of Trust, dated as of August 15, 2016, authorizing the Series 2016A Bonds.

"Fourth Supplemental Indenture" shall mean the Fourth Supplemental Indenture of Trust, dated as of November 1, 2015, authorizing the Series 2015 Bonds.

"Indenture" shall mean the Indenture of Trust, dated as of June 1, 2009, between the Authority and the Trustee, as from time to time supplemented and amended, including by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, and this Eighth Supplemental Indenture.

"Initial Bond" means the initial bond issued by the Authority being a single bond representing the entire principal amount of the Series 2018 Bonds.

"Interest Payment Date" shall mean June 15 and December 15 of each year as applicable commencing June 15, 2019.

"Issuance Date" shall mean the date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

"NEWPP" shall mean the City's water purification plant located at 12121 North Beltway 8 East (a.k.a. "North Sam Houston Parkway East"), Humble, Texas 77396.

“Project or Series 2018 Project” shall mean the realty interest acquisition, engineering, environmental work, and construction and acquisition for System improvements and capacity, including: (a) storage, pumping and transmission facilities (to be located in both Harris and Fort Bend Counties) to transport and convey water along some or all of the distance from the NEWPP to areas near, in and through the Authority’s boundaries; (b) storage, pumping, and transmission facilities to transport and convey water to Authority water customers; and (c) payments due to the City for expansion of the NEWPP.

“Project Costs or Series 2018 Project Costs” shall mean payments for the Series 2018 Project or Series 2018 Costs of Issuance and includes all design, acquisition, construction and reconstruction costs as those terms are generally understood in standard accounting practice as applied to water storage, pumping, treatment, transmission, and water well and other water supply facilities and capacity projects of the nature of the Project and without limiting the generality of the foregoing, the term shall include the purchase of equipment, property and rights in property, the cost of land, easements and rights-of-way, including damages to land and property, and all studies, engineering, surveying, environmental consultants, geotechnical consultants, financial consultants, administrative, auditing and legal expenses, as well as any such costs paid for with proceeds from or incurred in association with the issuance of interim financing as contemplated by and subject to the restrictions contained in Section 7 of the Financing Agreement, incurred in connection with the acquisition and construction of the Project.

“Purchaser” or *“TWDB”* shall mean Texas Water Development Board, an agency of the State of Texas.

“Second Supplemental Indenture” shall mean the Second Supplemental Indenture of Trust, dated as of September 1, 2010 authorizing the Series 2010 Bonds.

“Series 2009 Bonds” shall mean the Bonds authorized by the First Supplemental Indenture in the aggregate principal amount of \$142,400,000 and designated North Fort Bend Water Authority Water System Revenue Bonds, Series 2009.

“Series 2010A Bonds” shall mean the Bonds authorized by the Second Supplemental Indenture in the aggregate principal amount of \$41,215,000 and designated North Fort Bend Water Authority Water System Revenue Bonds, Series 2010A.

“Series 2010B Bonds” shall mean the Bonds authorized by the Second Supplemental Indenture in the aggregate principal amount of \$18,785,000 and designated North Fort Bend Water Authority Water System Revenue Bonds, Series 2010B (Direct Subsidy Build America Bonds).

“Series 2010 Bonds” shall mean the \$41,215,000 North Fort Bend Water Authority Water System Revenue Bonds, Series 2010A and the \$18,785,000 North Fort Bend Water Authority Water System Revenue Bonds, Series 2010B (Direct Subsidy Build America Bonds).

“Series 2011 Bonds” shall mean the \$81,100,000 North Fort Bend Water Authority Water System Revenue Bonds, Series 2011.

“Series 2015 Bonds” shall mean the \$8,670,000 North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2015.

“Series 2016A Bonds” shall mean the \$9,420,000 North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2016A.

“Series 2016B Bonds” shall mean the \$11,025,000 North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2016B.

“Series 2017 Bonds” shall mean the \$87,360,000 North Fort Bend Water Authority Water System Revenue Bonds, Series 2017.

“Seventh Supplemental Indenture” shall mean the Seventh Supplemental Indenture of Trust, dated as of November 1, 2017, authorizing the Series 2017 Bonds.

“Sixth Supplemental Indenture” shall mean the Sixth Supplemental Indenture of Trust, dated as of October 1, 2016, authorizing the Series 2016B Bonds.

“Third Supplemental Indenture” shall mean the Third Supplemental Indenture of Trust, dated as of October 1, 2011 authorizing the Series 2011 Bonds.

“TWDB” shall mean the Texas Water Development Board.

C. Articles and sections referred to by number shall mean the articles and sections of this Eighth Supplemental Indenture.

SECTION 103. Interpretations. All terms defined herein and all pronouns used in this Eighth Supplemental Indenture shall be deemed to apply equally to the singular and plural and to all genders. The headings of the Sections in this Eighth Supplemental Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Eighth Supplemental Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Series 2018 Bonds and the validity of the pledge and assignment of the Trust Estate to the Trustee to secure the payment of the Series 2018 Bonds.

[END OF ARTICLE I]

ARTICLE II
AUTHORIZATION AND TERMS OF BONDS

SECTION 201. Authorization, Principal Amount, Designation and Series. There is hereby authorized to be issued and shall be issued under and secured by the Indenture a Series of Bonds to be designated “North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2018” in the aggregate principal amount of \$339,480,000. The Series 2018 Bonds are issued as Junior Lien Bonds under the Indenture.

SECTION 202. Purposes. The Series 2018 Bonds are being issued to be applied, together with other lawfully available funds, to (i) fund Project Costs of the Project; (ii) fund the Junior Lien Reserve Fund Requirement attributable to the Series 2018 Bonds, and (iii) pay for the Costs of Issuance of the Series 2018 Bonds.

SECTION 203. Initial Bond, Numbers, Date and Denomination of the Bonds. The Series 2018 Bonds shall initially be issued in the principal amounts, and bearing interest at the rates set forth below, as more fully described in Exhibit A attached hereto. The Series 2018 Bonds shall mature, subject to prior redemption in accordance with this Eighth Supplemental Indenture, on December 15 in each of the years and in the amounts set out in the following schedule. The Initial Bond shall be numbered IB-1 and all other Bonds shall be numbered in sequence beginning with R-1. The Series 2018 Bonds shall be dated the Dated Date. In the event the book-entry only system referred to in Section 210 hereof is discontinued, Bonds delivered on transfer of or in exchange for other Bonds shall be numbered in the order of their authentication by the Trustee, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Series 2018 Bonds in lieu of which they are delivered.

SECTION 204. Interest Payment Dates, Interest Rates and Maturity of the Bonds. The Bonds shall be issued, shall bear interest from the Date of Delivery at the rate or rates per annum set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months and payable each Interest Payment Date until maturity or prior redemption, and shall mature and become payable on the dates and in the respective principal amounts as set forth below.

[TO BE INSERTED]

Series 2018 Bonds		
Maturity December 15	Principal Amount Maturing (\$)	Interest Rate (%)

SECTION 205. Manner of Payment of Series 2018 Bonds. Interest on the Bonds shall be paid as provided in the form of Series 2018 Bonds attached as Exhibit A hereto.

SECTION 206. Form of Bonds, Comptroller's Registration Certificate, and Trustee's Authentication Certificate. Subject to the provisions of the Indenture and this Eighth Supplemental Indenture, the form of the Bonds, the authentication certificate (which shall be affixed to the Bonds other than the Initial Bond), and the registration certificate of the Comptroller of Public Accounts of the State of Texas (which shall be affixed to the Initial Bonds only), and other matters to be printed on the Bonds shall be as shown on Exhibit A.

The approving legal opinion of bond counsel may be printed on the Bonds over the certification of the Trustee, which may be executed in facsimile. CUSIP numbers and any bond insurance legend also may be printed on the Bonds. However, errors or omissions in the printing of the opinion or the CUSIP numbers shall have no effect on the validity of the Bonds.

On the Issuance Date, the Initial Bond, being a single bond representing the entire principal amount of the Bonds, payable in stated installments to the Purchasers or its designee, executed by manual or facsimile signature of the President or Vice President and Secretary or Assistant Secretary of the Authority's Board of Directors, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas, shall be delivered to the Trustee on behalf of the Purchaser. Upon payment for the Initial Bond, the Trustee shall cancel the Initial Bond and deliver Bonds to DTC in accordance with Section 210 hereof.

SECTION 207. Provisions for Issuance of Bonds. The Bonds shall be executed by the Authority and, except for the Initial Bond which shall be registered by the Comptroller of Public Accounts of the State of Texas, shall be delivered to the Trustee. Thereupon, the Bonds (except the Initial Bond registered by the Comptroller of Public Accounts of the State of Texas) shall be authenticated by the Trustee and delivered to the Purchaser or upon its order, but only upon receipt by the Trustee of the documents required under the Indenture. After issuance and authentication of such Bonds, all subsequent Bonds issued in exchange therefor shall be authenticated and delivered by and at the designated corporate trust office of the Trustee.

SECTION 208. Optional Redemption Prior to Maturity. The Bonds are subject to redemption prior to maturity as set forth in the form of the Bonds in Exhibit A.

SECTION 209. Appointment of Trustee as Paying Agent/Registrar. The Trustee is hereby appointed as the paying agent/registrar for the Bonds (the "*Paying Agent/Registrar*"), and shall maintain books of registration for the Bonds in the State of

Texas at the Paying Agent/Registrar's office, a copy which shall be kept current by the Trustee.

SECTION 210. Book Entry Only System.

A. There may be appointed a qualified financial institution to be a clearing agency and securities depository for the Bonds (the "*Securities Depository*") in accordance with the provisions of this Section. Any Securities Depository will accept and hold the Bonds as the Registered Owner thereof and will maintain a book-entry-only system of recording the ownership and transfer of ownership of beneficial interests in the Bonds. Any Securities Depository so appointed shall be qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended, capable of properly discharging its duties in such capacity and acceptable to the Trustee and the Authority.

B. Pursuant to the Authority's approval of the Blanket Letter of Representation, the Depository Trust Company, ("*DTC*") is hereby appointed to act as the initial Securities Depository for the Bonds. The Purchaser, or the Authority on behalf of the Purchaser, shall cause the definitive bonds to be registered in the name of Cede & Co., and shall deposit such definitive bonds with the initial Securities Depository, Cede & Co., in the form of a single fully registered Bond for each maturity.

With respect to the Bonds registered in the name of the Securities Depository or its nominee, the Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered in the Register as the absolute owner of such Bond for all purposes, and neither the Authority nor the Trustee shall have any responsibility or obligation to any person who holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, neither the Authority nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, its nominee, or any other person with respect to any ownership interest in the Bonds, (ii) the delivery to any person, other than an Owner as shown on the Register, of any notice with respect to the Bonds, or (iii) the payment to any person, other than an Owner as shown in the Register, of any amount with respect to the principal of or interest on the Bonds.

Notwithstanding any other provision of the Indenture or this Eighth Supplemental Indenture to the contrary, so long as DTC or a successor Securities Depository is acting in such capacity with respect to the Bonds, all payments of principal of and interest on the Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in accordance with the written agreement between the Authority and the Securities Depository.

C. If DTC or any successor Securities Depository appointed by the Authority determines to discontinue acting as Securities Depository for the Bonds and the Authority desires to continue the book-entry-only system of recording the ownership

and transfer of ownership of beneficial interests in the Bonds, the Authority shall appoint a successor Securities Depository for the Bonds. Upon acceptance by the successor Securities Depository of its appointment and its duties and responsibilities in such capacity, the Authority shall, upon receipt from the preceding Securities Depository of a certified copy of its records of ownership of beneficial interests in the Bonds, provide a copy of such records to the successor Securities Depository and cause the Trustee to authenticate and deliver exchange Bonds, to the successor Securities Depository, registered in the name of the nominee of such successor Securities Depository.

D. If the Authority shall have appointed a Securities Depository with respect to the Bonds and if any of the events specified below shall occur, the Trustee shall authenticate and deliver, in accordance with the Indenture and this Eighth Supplemental Indenture, to each person who appears on the records of the Securities Depository as an owner of a beneficial interest in such Bonds, an exchange Bond(s), in any authorized denomination, of the same type, maturity and interest rate and in the same aggregate principal amount as the Bonds beneficially owned by such person or entity, as set forth in such record:

(a) If the Securities Depository determines not to continue to act as Securities Depository for the Bonds and the Authority is unable to locate a qualified successor Securities Depository;

(b) If the Authority determines that the Securities Depository is incapable of properly discharging its duties as Securities Depository for the Bonds and is unable to locate a qualified successor Securities Depository;

(c) If the Authority determines that it is in the best interest of the Authority to discontinue the book-entry system of registration of ownership of beneficial interest in the Bonds provided by the Securities Depository; or

(d) If the Authority determines that the continuance of the book-entry system of registration of ownership of beneficial interest in the Series 2018 Bonds provided by the Securities Depository might adversely affect the interests of the owners of such beneficial interest in the Bonds.

Upon the occurrence of any of the foregoing events, the Authority shall provide written notice of such event to the Securities Depository and to the Trustee.

[END OF ARTICLE II]

ARTICLE III
SOURCE OF PAYMENT; SPECIAL ACCOUNTS AND
OTHER MATTERS RELATING TO BONDS

SECTION 301. Source of Payment for Bonds. The Bonds are payable solely from, and secured by a lien on and pledge of, the Trust Estate. The Owners of the Bonds shall never have the right to demand payment out of any funds raised or to be raised by ad valorem taxation or to have any claim against any property or revenues of the Authority except for Pledged Revenues and Pledged Funds described in the Indenture. The Authority does not have the power to impose an ad valorem tax.

The Series 2018 Bonds are issued as Junior Lien Bonds and, as such, the Parity Bonds, Parity Notes, and Parity Obligations issued under the Indenture are and shall be secured by a lien on Pledged Revenues that is senior and superior to the lien on Pledged Revenues securing the Junior Lien Bonds (including the Series 2015 Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2017 Bonds, and the Series 2018 Bonds), Junior Lien Notes, and Junior Lien Obligations; and Pledged Revenues shall first be applied to make all required deposits in and transfers to the Debt Service Fund and Debt Service Reserve Fund before making required deposits in and transfers to the Junior Lien Debt Service Fund and Junior Lien Debt Service Reserve Fund.

SECTION 302. Confirmation of Funds and Establishment of Special Accounts. Pursuant to the terms of the Indenture, the existence of the following Funds and Accounts are hereby confirmed:

- A. Revenue Fund;
- B. O&M Fund, including the Reserve Account;
- C. Debt Service Fund;
- D. Debt Service Reserve Fund;
- E. Junior Lien Debt Service Fund;
- F. Junior Lien Debt Service Reserve Fund;
- G. Coverage Fund;
- H. Construction Fund; and
- I. Improvement Fund.

The Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Junior Lien Debt Service Fund, the Junior Lien Debt Service Reserve Fund, the Coverage Fund, and the Construction Fund, and all Accounts within them, shall be held and

maintained by the Trustee as provided in the Indenture. The O&M Fund, including the O&M Reserve Account, and the Improvement Fund, and all Accounts within them, shall be held and maintained by the Authority as provided in the Indenture. The Authority reserves the right to establish additional funds and accounts not held by the Trustee to the extent not inconsistent with the Indenture. The Authority may from time to time request the Trustee to establish accounts and subaccounts within each Fund held by the Trustee for such purposes as may be provided in the Master Indenture or any supplement thereto.

For the purpose of maintaining a separate accounting of amounts allocable to Bonds, within certain of the Funds confirmed above, the following Accounts are hereby established: the Series 2018 Escrow Account and the Series 2018 Construction Account within the Construction Fund.

Complete books and records shall be maintained with respect to the allocable amounts attributable to such Series 2018 Bonds maintained in each such account or sub-account. In addition, in order to facilitate compliance with the covenant set forth in Article IV hereof, the Authority reserves the right to request the Trustee to establish the Rebate Fund and rebate accounts within it to account for excess arbitrage profits and interest thereon that must be accounted for or rebated to the United States of America. In establishing and maintaining the foregoing accounts, maintaining all books and records relating thereto and making disbursements therefrom, particularly to the United States of America, the Trustee and the Authority may rely from time to time upon opinions issued by nationally-recognized bond counsel to the effect that any action by the Trustee and/or the Authority in reliance upon any interpretation of the Code or Regulations contained in such opinions will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 303. Confirmation of Junior Lien Reserve Fund and Coverage Fund Requirements.

As established in the Fourth Supplemental Indenture, the Junior Lien Reserve Fund Requirement means for Junior Lien Bonds and Junior Lien Notes the average annual Aggregate Debt Service Requirements on the Junior Lien Bonds and Junior Lien Notes, calculated as of the date of issuance of each Series, which calculations shall take into account the issuance of the Series of Bonds, Notes, or Obligations being issued or incurred as of the date of calculation.

Upon the issuance of the Series 2018 Bonds, the amount of the Junior Lien Reserve Fund Requirement for the Junior Lien Debt Service Reserve Fund is hereby established to be \$_____. The Junior Lien Reserve Fund Requirement will be satisfied through (i) the current cash balance in the Junior Lien Reserve Fund and investment earnings thereon, and/or (ii) a cash deposit of \$_____ from the Series 2018 Bond proceeds.

Upon the issuance of the Series 2018 Bonds, the amount of the Coverage Fund Requirement is hereby established and stipulated to be \$_____, which is 25% of their Maximum Annual Debt Service Requirements, in accordance with the requirements of the Indenture. The Coverage Fund Requirement will be satisfied through (i) the current cash balance in the Coverage Fund and investment earnings thereon, and (ii) a cash deposit of \$_____ from the Improvement Fund.

This Section 303 supersedes Section 303 in the Seventh Supplemental Indenture regarding the quantification of the Junior Lien Reserve Fund Requirement and Coverage Fund Requirement, and the methods of satisfaction thereof.

SECTION 304. Application of Net Proceeds. After payment of certain Project Costs of Issuance at the closing, net proceeds of the sale of the Bonds shall be applied as follows:

- A. To the Junior Lien Debt Service Reserve Fund, \$_____, which represents a portion of the Junior Lien Reserve Fund Requirement attributable to the Series 2018 Bonds. The remaining \$_____ will be satisfied through the cash balance in the Junior Lien Reserve Fund.
- B. The balance of the proceeds to the Authority for credit by the Authority to the Series 2018 Escrow Account, and, to the extent directed in writing by the TWDB, to the Series 2018 Construction Account. Moneys deposited in the Series 2018 Escrow Account shall be applied as provided in the Escrow Agreement.

SECTION 305. Use of Proceeds. The Series 2018 Bonds are being issued to be applied, together with other lawfully available funds, to: (i) fund Project Costs of the Project; (ii) fund some or all of the Junior Lien Reserve Fund Requirement attributable to the Series 2018 Bonds, and (iii) pay for the Costs of Issuance of the Series 2018 Bonds. Any surplus proceeds from the Series 2018 Bonds remaining after completion of the Project, and after payment of the costs described in the preceding sentence, shall be used only for the following purposes, as approved by the TWDB's executive administrator: (i) to deposit into the Junior Lien Debt Service Fund for payment of principal and/or interest on the Series 2018 Bonds; or (ii) to fund other eligible costs as authorized by the TWDB. The proceeds of the Series 2018 Bonds shall be secured in the manner prescribed by law and in compliance with the Public Funds Investment Act, Chapter 2256, Government Code, and the Public Funds Collateral Act, Chapter 2257, Government Code.

[END OF ARTICLE III]

ARTICLE IV
PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

SECTION 401. General Tax Covenant. The Authority intends that the interest on the Series 2018 Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable Income Tax Regulations (the “Regulations”). The Authority covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Series 2018 Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the Authority covenants and agrees to comply with each requirement of this Article; provided, however, that the Authority shall not be required to comply with any particular requirement of this Article if the Authority has received an opinion of nationally recognized bond counsel (“*Counsel’s Opinion*”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds or if the Authority has received a Counsel’s Opinion to the effect that compliance with some other requirement set forth in this Article will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel’s Opinion shall constitute compliance with the corresponding requirement specified in this Article.

SECTION 402. No Private Use or Payment and No Private Loan Financing. The Authority shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Series 2018 Bonds are delivered, that the proceeds of the Series 2018 Bonds will not be used, in a manner that would cause the Series 2018 Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the Authority covenants and agrees that it will make such use of the proceeds of the Series 2018 Bonds including interest or other investment income derived from Series 2018 Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Series 2018 Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

SECTION 403. No Federal Guaranty. The Authority covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Series 2018 Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

SECTION 404. The Series 2018 Bonds are not Hedge Bonds. The Authority covenants and agrees that it has not and will not take any action, and has not

knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Series 2018 Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

SECTION 405. No-Arbitrage Covenant. The Authority shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Series 2018 Bonds are delivered, the Authority will reasonably expect that the proceeds of the Series 2018 Bonds will not be used in a manner that would cause the Series 2018 Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the Authority covenants and agrees that it will make such use of the proceeds of the Series 2018 Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Series 2018 Bonds, and take such other and further action as may be required so that the Series 2018 Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

SECTION 406. Arbitrage Rebate. If the Authority does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the Authority will take all necessary steps to comply with the requirement that certain amounts earned by the Authority on the investment of the “gross proceeds” of the Series 2018 Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Series 2018 Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Series 2018 Bonds separately from records of amounts on deposit in the funds and accounts of the Authority allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Series 2018 Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Series 2018 Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Series 2018 Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

SECTION 407. Information Reporting. The Authority covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Series 2018 Bonds are issued, an information statement concerning the Series 2018 Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

SECTION 408. Continuing Obligation. Notwithstanding any other provision of this Eighth Supplemental Indenture, the Authority's obligations under the covenants and provisions of this Article shall survive the defeasance and discharge of the Series 2018 Bonds.

[END OF ARTICLE IV]

ARTICLE V
CONTINUING DISCLOSURE UNDERTAKING

Attachment "A" to the Financing Agreement requires the Authority to comply with requirements for continuing disclosure of certain information on an on-going basis substantially in the manner required by the Rule and determined as if the TWDB were a participating underwriter within the meaning of the Rule.

SECTION 501. Annual Reports. The Authority shall provide annually to EMMA, within six months after the end of each fiscal year of the Authority ending in or after December 31, 2018, financial information and operating data with respect to the Authority of the general type included on Schedules 1 (footnote "b" only), 2, 3, 4, 5 and 6 and Appendix "A" of the final official statement for the Series 2011 Bonds. Any financial statements to be so provided shall be (1) prepared in accordance with the accounting principles described in the Authority's financial statements included as Appendix "A" to the final official statement for the Series 2011 Bonds or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation and (2) audited, if the Authority commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Authority shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements, if and when the audit report on such statements becomes available.

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

The financial information and operating data to be provided pursuant to this Article may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's internet website or filed with the SEC.

All documents provided to EMMA by the Authority pursuant to this Article shall be accompanied by identifying information as prescribed by the MSRB.

The Authority shall notify EMMA, in a timely manner, of any failure by the Authority to provide financial information or operating data in accordance with this Section by the time required by this Section.

SECTION 502. Material Event Notices. The Authority shall notify EMMA in a timely manner, not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Series 2018 Bonds, if such event is Material:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls and tender offers;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds;
- K. Rating changes;
- L. Bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person within the meaning of the Rule;
- M. Consummation of a merger, consolidation, or acquisition involving the Authority or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the Authority or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- N. Appointment of a successor or additional trustee or the change of name of a trustee.

SECTION 503. Limitations, Disclaimers, and Amendments. The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an “obligated person” with respect to the Series 2018 Bonds within the meaning of the Rule, except that the Authority in any event will give the notice required by Section 502 of any Series 2018 Bond calls and defeasances that cause the Authority to be no longer such an “obligated person.”

The provisions of this Article are for the sole benefit of the Owners of the Series 2018 Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Authority undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority’s financial results, condition, or

prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2018 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE OWNER OF ANY SERIES 2018 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE AUTHORITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

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

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

The provisions of this Article may be amended by the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, but only if (1) the provisions of this Article, as so amended, would have permitted Purchaser to purchase or sell the Series 2018 Bonds in the primary offering of the Series 2018 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Indenture that authorizes such an amendment) of the Outstanding Series 2018 Bonds consent to such amendment or (b) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the beneficial owners of the Series 2018 Bonds. If the Authority so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Authority may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that its right to do so would not prevent Purchaser from lawfully purchasing or selling Series 2018 Bonds in the primary offering of the Series 2018 Bonds.

SECTION 504. Definitions. _ As used in this Article, the following terms have the meanings ascribed to such terms below:

“*EMMA*” means the MSRB’s Electronic Municipal Market Access system established by the MSRB.

“*Material*” shall have the meaning of such word as used under federal securities laws.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

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

[END OF ARTICLE V]

ARTICLE VI
COVENANTS AND MISCELLANEOUS PROVISIONS

SECTION 601. Notice. Any notice, demand, direction, request, or other instrument authorized or required by the Indenture of or relating to the Series 2018 Bonds to be given to or filed with the Authority, the Trustee, the Paying Agent, the Registrar, and the Authenticating Agent shall be deemed to have been given only upon receipt. Any notice under or in connection with the Indenture of or relating to the Series 2018 Bonds shall be sent by personal delivery or first class mail, postage prepaid, to the address specified below or, to such other address as may be designated in writing by the applicable party below:

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

Trustee: Regions Bank, Trustee
 3773 Richmond Avenue, Suite 1100
 Houston, Texas 77046
 Attention: Corporate Trust

SECTION 602. Unclaimed Funds. Any money held by any Fiduciary in trust for the payment and discharge of any of the Bonds shall be treated and handled in the manner provided in the Indenture; unless it is determined that any of such money is unclaimed property subject to Title 6 of the Texas Property Code, and then such money in question shall be treated as property subject to such Code.

SECTION 603. Execution in Several Counterparts. This Eighth Supplemental Indenture may be simultaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

SECTION 604. TWDB Requirements. During such time as the Series 2018 Bonds are outstanding, the Authority shall comply with the following:

A. The Series 2018 Bonds shall not be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. The Authority hereby covenants, to the extent permitted by law, to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties

arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project.

B. Until such time as the proceeds of the Series 2018 Bonds have been expended, the Authority shall submit to the TWDB the amounts of the Series 2018 Bonds, if any, that were used to compensate historically underutilized businesses.

C. The Authority shall not acquire any of the bonds issued by the TWDB to provide financing for the Series 2018 Bonds in an amount related to the Series 2018 Bonds.

D. Notwithstanding anything to the contrary contained herein, the TWDB may exercise all remedies available to it in law or equity.

E. The Authority shall cause to be prepared an annual audit of its financial statements and shall file such audit with the TWDB's executive administrator each year. Each such audit shall be prepared in accordance with generally accepted auditing standards by a certified public accountant or licensed public accountant.

F. The Authority shall, subject to the terms of Section 701(b) of the Indenture, maintain property insurance coverage for the above-ground structures of the Project.

G. To the extent applicable to the Authority, the Authority shall abide by the TWDB's rules and relevant statutes.

SECTION 605. Compliance With Laws Prohibiting Contracts With Companies Boycotting Israel and Certain Companies Engaged in Business With Iran, Sudan or Foreign Terrorist Organizations. Pursuant to Chapter 2270, Texas Government Code, and solely for purposes relating to Chapter 2270, Texas Government Code, the Trustee verifies that it does not boycott Israel and agrees that it will not boycott Israel through the term of this Eighth Supplemental Indenture. Additionally, pursuant to Chapter 2252, Texas Government Code, the Trustee certifies that it is not a company that contracts with or provides supplies or services to a foreign terrorist organization, as defined by Section 2252.151(2), Texas Government Code, and has not

been identified as a company known to have contracts with or provide supplies or services to a foreign terrorist organization as identified on a list prepared and maintained under Section 806.051, 807.051, or 2252.153, Texas Government Code. At the request of the Authority, the Trustee agrees to execute further written certifications as may be necessary or convenient for the Authority to establish compliance with these laws.

[END OF ARTICLE VI]

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Eighth Supplemental Indenture to be signed and attested on their behalf by their duly authorized representatives, all as of the date first hereinabove written.”

**NORTH FORT BEND
WATER AUTHORITY**

By: _____
Vice President

ATTEST:

By: _____
Secretary

REGIONS BANK, as Trustee

By: _____

Title: _____

EXHIBIT A

The form of the Series 2018 Bonds, including the form of the Trustee's Authentication Certificate, the Form of Assignment, and the form of the Comptroller's Registration Certificate for the Series 2018 Bonds to be initially issued, shall be substantially as follows, with such additions, deletions and variations, as may be necessary or desirable and not prohibited by this Eighth Supplemental Indenture, including any legend regarding bond insurance if such insurance is obtained:

(a) Form of Series 2018 Bond

UNITED STATES OF AMERICA

STATE OF TEXAS

NORTH FORT BEND WATER AUTHORITY
WATER SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2018

NUMBER	DENOMINATION
R-	\$
REGISTERED	<u>REGISTERED</u>

INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:
_____, 2018

Registered Owner:

Principal Amount:

NORTH FORT BEND WATER AUTHORITY, a political subdivision of the State of Texas, (herein the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, unless redeemed prior thereto as provided in this bond, upon presentation and surrender of this bond at Regions Bank, or at the designated corporate trust office of the successor to Regions Bank, as Trustee under the hereinafter described Indentures, the Principal Amount identified above (or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption) in lawful money of the United States of America, without charge for Trustee services, and to pay at the Interest Rate per annum identified above on each June 15 and December 15, commencing June 15, 2018 (each an "Interest Payment Date"), interest on the unpaid principal balance of this bond from the later of the delivery date of the Bonds or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year composed of twelve 30 day months, until the maturity or redemption date of this bond, or until the

Authority's obligation with respect to the payment of this bond has been satisfied. All interest on this bond shall be payable by check or draft mailed by the Trustee to the Registered Owner of this bond at its address as it appears on the registration books required to be maintained for the bonds of this series by the Trustee, or in such other manner as may be mutually acceptable to the Trustee and the Owner of this bond. Interest on this bond payable on any Interest Payment Date shall be paid to the Registered Owner of this bond as of the 15th day of the calendar month immediately prior to the Interest Payment Date (the "*Record Date*").

THIS BOND IS ONE OF A SERIES OF BONDS designated "North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2018" (the "*Series 2018 Bonds*") issued in the aggregate principal amount of \$339,480,000. The Series 2018 Bonds pay interest on each Interest Payment Date until maturity or prior redemption.

THE SERIES 2018 BONDS ARE ISSUED under and pursuant to an Indenture of Trust dated June 1, 2009 (the "*Indenture*"), between the Authority and Regions Bank, as trustee (together with any successor, the "*Trustee*"), a First Supplemental Indenture of Trust dated June 1, 2009, between the Authority and the Trustee (the "*First Supplement*"), a Second Supplemental Indenture of Trust dated September 1, 2010 (the "*Second Supplement*"), a Third Supplemental Indenture of Trust dated October 1, 2011 (the "*Third Supplement*"), a Fourth Supplemental Indenture of Trust dated November 1, 2015 (the "*Fourth Supplement*"), a Fifth Supplemental Indenture of Trust dated August 15, 2016 (the "*Fifth Supplement*"), a Sixth Supplemental Indenture of Trust dated October 1, 2016 (the "*Sixth Supplement*"), a Seventh Supplemental Indenture of Trust dated November 1, 2017 (the "*Seventh Supplement*"), and an Eighth Supplemental Indenture of Trust dated _____, 2018, between the Authority and the Trustee (the "*Eighth Supplement*" and together with the Indenture, First Supplement, Second Supplement, Third Supplement, Fourth Supplement, Fifth Supplement, Sixth Supplement, and Seventh Supplement called the "*Indentures*") to: (i) fund Project Costs of the Project (as defined in the Eighth Supplement); (ii) fund the Junior Lien Reserve Fund Requirement (as defined in the Eighth Supplement) attributable to the Series 2018 Bonds, and (iii) pay for the Costs of Issuance (as defined in the Eighth Supplement) of the Series 2018 Bonds.

THIS BOND SHALL NOT BE VALID OR OBLIGATORY for any purpose or be entitled to any benefit of the Indentures unless this bond is registered by the Comptroller of Public Accounts of the State of Texas or is authenticated by the Trustee by due execution and dating of the authentication certificate endorsed hereon.

THE SERIES 2018 BONDS ARE PAYABLE FROM AND SECURED BY a lien on and pledge of the Trust Estate as defined in the Indenture. Owners of the Series 2018 Bonds shall never have the right to demand payment of the Series 2018 Bonds or interest thereon out of any funds raised or to be raised by ad valorem taxation or to have any claim against any property or revenues of the Authority except for the

Pledged Revenues and Pledged Funds described in the Indenture. The Authority does not have the power to levy or collect ad valorem taxes.

THE SERIES 2018 BONDS ARE ISSUED AS JUNIOR LIEN BONDS and, as such, the Parity Bonds, Parity Notes and Parity Obligations issued under the Indenture are and shall be secured by a lien on Pledged Revenues that is senior and superior to the lien on Pledged Revenues securing the Junior Lien Bonds (including the Series 2015 Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2017 Bonds, and the Series 2018 Bonds), Junior Lien Notes and Junior Lien Obligations; and Pledged Revenues shall first be applied to make all required deposits in and transfers to the Debt Service Fund and Debt Service Reserve Fund before making required deposits in and transfers to the Junior Lien Debt Service Fund and Junior Lien Debt Service Reserve Fund.

THE INDENTURE ALSO PERMITS THE AUTHORITY TO ISSUE OR INCUR Credit Agreements, Hedge Agreements and Other Authority Obligations, each as defined in the Indenture, in an unlimited aggregate principal amount which is and may be secured by a lien on and pledge of the Trust Estate on a parity with, senior to, or subordinate to the lien securing the Series 2018 Bonds.

REFERENCE IS HEREBY MADE TO THE INDENTURES, copies of which are filed with the Trustee, for the full provisions thereof (including, among others, those with respect to the nature and extent of the rights, duties and obligations of the Authority, the Trustee and the Owners of the Series 2018 Bonds; the nature and extent of the covenants of the Authority to impose fees, user fees, rates and charges (including for the sale of water, for the pumpage of water from water wells, and for the importation of water into the Authority's boundaries); the rights of the Authority to issue other bonds, notes and obligations; the terms upon which the Series 2018 Bonds are issued and secured and the modification or amendment of the Indentures), to all of which the Owners of the Series 2018 Bonds assent by the acceptance of the Series 2018 Bonds.

ON DECEMBER 15, 2028, OR ON ANY DATE THEREAFTER, the Authority shall have the option of calling the Series 2018 Bonds maturing on or after December 15, 2028, for redemption prior to maturity, in inverse order of maturity, in whole or in part in integral multiples of \$5,000 (but if less than all the Series 2018 Bonds of a single maturity are to be redeemed, those to be redeemed shall be selected by the Trustee by lot), for an amount equal to the principal amount redeemed plus accrued interest thereon to the date fixed for redemption.

THE SERIES 2018 BONDS MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a Series 2018 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2018 Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Series 2018 Bonds for redemption,

the Trustee shall treat each Series 2018 Bond as representing that number of Series 2018 Bonds of \$5,000 denomination which is obtained by dividing the principal or maturity amount of such Series 2018 Bond by \$5,000. Upon surrender of any Series 2018 Bond for redemption in part, the Trustee, in accordance with the provisions of the Indentures, shall authenticate and deliver in exchange therefor a Series 2018 Bond or Series 2018 Bonds of like maturity and interest rate in an aggregate principal or maturity amount equal to the unredeemed portion of the Series 2018 Bond so surrendered.

NOTICE OF ANY REDEMPTION identifying the Series 2018 Bonds to be redeemed in whole or in part shall be given by the Trustee at least 30 days prior to the date fixed for redemption by sending written notice by United States mail, first class postage paid, to the registered owner of each Series 2018 Bond to be redeemed in whole or in part at the address shown on the Register. The notice shall also be given by the Trustee at least 30 days prior to the date fixed for redemption by United States certified mail, return receipt requested, to each registered Securities Depository (as defined in the Indentures). Such notice shall identify the Series 2018 Bonds or portions thereof to be redeemed by stating the CUSIP number, certificate number, date of issuance, interest rate and maturity date of such Series 2018 Bonds or portions thereof to be redeemed, and shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, and the place at which Series 2018 Bonds are to be surrendered for payment. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. By the date fixed for redemption, due provision shall be made with the Trustee for the payment of the redemption price of the Series 2018 Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Series 2018 Bonds have been called for redemption in whole or in part and due provision has been made to redeem same as herein provided, the Series 2018 Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on any Series 2018 Bonds or portion thereof called for redemption shall terminate on the date fixed for redemption.

THIS BOND IS TRANSFERABLE, as provided in the Indentures, only upon the books of registration of the Authority kept for that purpose at the office of the Trustee, by the Owner hereof in person, or by the Owner's attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or the Owner's duly authorized attorney, and, upon payment of any tax or governmental charges required to be paid with respect to such transfer or exchange, a new bond or bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Indentures. The Trustee is not required to accept any bond for transfer or exchange during a period of 15 days preceding the selection of bonds for redemption or after this

bond has been called for redemption. The Authority and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this bond and the Series 2018 Bonds is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of this bond and of the Series 2018 Bonds have been properly done, have happened and have been performed in regular and due time, form and manner, as required by law; the Authority has granted a lien on and pledge of the Trust Estate to the Series 2018 Bonds as provided in the Indenture.

IN WITNESS WHEREOF, the Authority has caused this bond to be signed by the President or Vice President and attested by the Secretary or Assistant Secretary by their manual or facsimile signatures and sealed with the official seal of the Authority or a facsimile thereof.

NORTH FORT BEND
WATER AUTHORITY

By: _____
Vice President

ATTEST:

By: _____
Secretary

(b) Form of Authentication Certificate

AUTHENTICATION CERTIFICATE

This bond is one of the bonds referred to in the within mentioned Indentures; and that, except as to the bonds initially delivered, this bond has been issued in conversion of and exchange for or replacement of a bond, bonds or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Regions Bank,
as Trustee

By: _____
Authorized Signature

(c) Form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas which is to be Affixed to each of the Initially Issued Series 2018 Bonds

CERTIFICATE OF REGISTRATION OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office an opinion of the Attorney General of the State of Texas to the effect that this bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of NORTH FORT BEND WATER AUTHORITY and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE, _____, 2018.

Comptroller of Public Accounts
of the State of Texas

(d) Form of Assignment to be Printed on Each of the Series 2018 Bonds

ASSIGNMENT

FOR VALUE RECEIVED the undersigned Registered Owner of this bond, or duly authorized representative or attorney thereto, hereby assigns this bond to

/ _____ /
(Assignee's social security or taxpayer identification number)

(print or typewrite Assignee's name and address, including zip code)

and hereby irrevocably constitutes and appoints

attorney to transfer the registration of this bond on the Register, with full power of substitution in the premises.

DATED:

Registered Owner

NOTICE: The signature must correspond with the name of the Registered Owner appearing on the face of this bond.

Signature Guaranteed:

NOTICE: This signature should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to S.E.C. rule 17Ad-15.

(e) Form of Statement of Insurance. This is not applicable, because no bond insurance is obtained for the Series 2018 Bonds.

(f) The Initial Bond shall be in the form set forth in paragraphs (a), (c), (d) and (e) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP" deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" and "at the Interest Rate per annum identified above" shall be deleted and the following shall be inserted at the end of the first sentence "with such principal to be paid in installments on December 15 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:

[TO BE INSERTED]

Series 2018 Bonds		
Maturity December 15	Principal Amount Maturing (\$)	Interest Rate (%)

- (iii) the Initial Bond shall be numbered IB-1.
- (iv) the Initial Bond shall be registered in the name of the Purchaser.
- (v) the term bond language shall be removed from the Initial Bond in the event there are no term bonds.

PRIVATE PLACEMENT MEMORANDUM DATED _____, 2018

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds (defined below), Issuer Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

\$_____,000
NORTH FORT BEND WATER AUTHORITY
JUNIOR LIEN WATER SYSTEM REVENUE BONDS
SERIES 2018 (the "Bonds")

Dated: _____, 2018

Due: December 15

Interest Date: Interest on the Bonds will be payable on June 15 and December 15 each year, commencing June 15, 2018 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Record Date: The close of business on the fifteenth calendar day of the month next preceding the applicable Maturity Date, commencing November 15, 2018.

Date Interest Accrues: Each Bond shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on June 15 and December 15 of each year until the earliest of maturity or prior redemption, commencing on December 15, 20__, immediately following the Delivery Date.

Redemption: The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.

Authorized Denominations: The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent ("Paying Agent/Registrar/Registrar") for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Book-Entry-Only System Upon initial issuance, the ownership of the Bonds will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Dallas, Texas as the same become due and payable.

Official Action: Bond Order dated _____, 2018.

Purpose: See "APPENDIX B - OFFICIAL ACTION."

Security for the Bonds: See "APPENDIX B - OFFICIAL ACTION."

Ratings: See "OTHER INFORMATION - Ratings."

Delivery Date: _____, 2018.

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

NORTH FORT BEND WATER AUTHORITY

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Peter Houghton	President	May 20--
Robert L. Patton	Vice President	May 20--
Melony F. Gay	Secretary/Treasurer	May 20--
Bruce Fay	Director	May 20--
Pat Hebert	Director	May 20--
David Spell	Director	May 20--
Robert Darden	Director	May 20--

OTHER CONSULTANTS AND ADVISORS

Allen Boone Humphries Robinson, Bond Counsel

Post Oak Municipal Advisors LLC, Financial Advisor

The Bank of New York Mellon Trust Company, Paying Agent/Registrar

Brown & Gay Engineers, Inc., Engineer

Avonta Services, Bookkeeper

McGrath & Co., PLLC, Auditor

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**Private Placement Memorandum
relating to**

\$ _____,000

**NORTH FORT BEND WATER AUTHORITY
JUNIOR LIEN WATER SYSTEM REVENUE BONDS
SERIES 2018 (the “Bonds”)**

INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the “Bonds” pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See “APPENDIX B – FORM OF OFFICIAL ACTION” attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE BONDS

General Description

The Bonds are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Bonds is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Bonds will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

Purpose

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Authority for Issuance

The Bonds are being issued pursuant to Texas Law (including particularly the Act and Chapter 1371 of the Texas Government Code, as amended), the Indenture and a resolution adopted by the board of directors of the Authority.

Security for the Bonds

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Redemption Provisions

On December 15, 20____, or on any date thereafter, the Bonds maturing on and after December 15, 20____ may be redeemed prior to their scheduled maturities, upon the written direction of the Issuer, with funds provided by the Issuer, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of a maturity is to be redeemed the Paying Agent/Registrar will determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in Authorized Denominations).

Notice of Redemption; Selection of Bonds to Be Redeemed

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of the Bonds, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC.

Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and deposited with DTC. See APPENDIX B - “FORM OF OFFICIAL ACTION.”

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Estimated Draw Schedule

See “APPENDIX D – DRAW SCHEDULE.”

TAX MATTERS

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Bonds substantially in the form as attached in "APPENDIX C - FORM OF OPINION OF BOND COUNSEL."

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

Ratings

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Bonds for ratings or municipal bond insurance, respectively.

LITIGATION

General

On the date of delivery of the Bonds to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

The Issuer

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or obligation of the Issuer to deliver the Bonds, the security for, or the validity of, the Bonds or the financial condition of the Issuer.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to certain other information vendors. SEE "APPENDIX B - FORM OF OFFICIAL ACTION."

Compliance with Prior Undertakings

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

APPENDIX A
MATURITY SCHEDULE

- (1) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (2) The District reserves the right, at its option, to redeem Bonds having stated maturities on and after December 15, 20____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on December 15, 20____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

APPENDIX B

FORM OF OFFICIAL ACTION

[ATTACH COPY OF OFFICIAL ACTION]

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

APPENDIX D
DRAW SCHEDULE