

**WATER FACILITIES FINANCING AGREEMENT
(SOUTH TRANSMISSION SYSTEM)**

BETWEEN

CITY OF LA MARQUE, TEXAS

AND

GULF COAST WATER AUTHORITY

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WATER FACILITIES FINANCING AGREEMENT
BETWEEN
CITY OF LA MARQUE, TEXAS
AND
GULF COAST WATER AUTHORITY
(SOUTH TRANSMISSION SYSTEM)

This WATER FACILITIES FINANCING AGREEMENT (this “Agreement”), is entered into as of the ____ day of _____, 2022, by and between the CITY OF LA MARQUE, TEXAS (the “Participant”), a Texas municipal corporation and political subdivision, and the GULF COAST WATER AUTHORITY (the “Authority”), a Texas conservation and reclamation district.

WITNESSETH:

RECITALS

The Authority was created under and pursuant to the provisions of Section 59 of Article XVI of the Constitution of State of Texas (the “State”) as a conservation and reclamation district, a governmental agency and body politic and corporate.

The Participant was created under and pursuant to the laws of the State and its home rule charter as a municipal corporation and political subdivision. a governmental agency and body politic and corporate.

The Participant and the Authority have previously entered into a Mainland Water Project Customer Contract, dated as of August 7, 1981, as amended by the First Amendment, dated as of September 14, 1981, the Second Amendment, dated as of June 22, 1998, the Third Amendment, dated as of June 16, 2011, and the Fourth Amendment, dated as of May 1, 2014, and the Mainland Water Project Customer Contract (South Project), entered into between the Authority and Purchaser on July 1, 1998, as amended by the First Amendment, dated as of June 16, 2011, the Second Amendment, dated as of May 1, 2014, and the operative portions of the Amended and Restated Customer Contract, and as amended from time to time (the “Customer Contract”) under the terms of which the Authority sells water to the Participant and has previously financed the construction and acquisition of water supply facilities to serve the Participants (as defined herein).

Section 791.026 of the Interlocal Cooperation Act (Chapter 791, Vernon’s Texas Government Code, as amended) (the “Act”), authorizes the Participant to enter into a contract with the Authority, under the terms of which the Authority will provide and operate water supply facilities for the Participant and authorizes such contract to remain in place until such time as the bonds specified in the contract and any refunding bonds issued to pay those bonds are paid.

The Participant desires for the Authority to acquire, construct and equip the water supply facilities and improvements described in **Exhibit A** and such additional facilities and improvements as the Participant and the Authority may agree in writing (collectively, the “Project”).

Pursuant to the Customer Contract, the Project is deemed a Special Project and the Bonds (as defined herein) are deemed Special Project Bonds. Upon the effective date of the Amended and Restated Customer Contract (as defined herein), the Project will be treated as part of the South Transmission System of the Municipal System (as defined therein).

The Participant acknowledges and agrees that the Participant's Reserved Capacity (as defined in the Customer Contract) and Contract Quantity (as defined in the Customer Contract and the Amended and Restated Customer Contract) in the Authority's Mainland System (as defined in the Customer Contract) and in the Authority's Municipal System (as defined in the Amended and Restated Customer Contract) is established in the Customer Contract and the Amended and Restated Customer Contract.

The Authority desires to assist the Participant and to acquire, design, construct and operate the Project.

A portion of the costs of the Project will be funded through capital contributions from customers of the Authority. The Authority proposes to issue its contract revenue bonds to finance the portion of the Project described herein that is not being funded through capital contributions, and to pledge to the payment of such bonds the revenues to be received from the Participants under this Agreement, including the Participant's covenant to charge its customers rates sufficient to repay its portion of the Bonds (as hereinafter defined) and to pledge such revenues to payment of the Bonds.

AGREEMENT

For and in consideration of the premises, benefits and mutual agreements contained herein, the Participant and the Authority hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions.

(a) The terms "Act," "Agreement," "Authority," "Customer Contract," "Mackey Plant," "Participant," "Project," and "State" shall have the meanings given in the Preamble and Recitals and such definitions are hereby incorporated into this Agreement for all purposes.

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

(1) "Amended and Restated Customer Contract" means, following its effective date, the amended and restated customer contract executed in 2022 under which the Authority sells water to customers through the Municipal System, as defined therein.

(2) "Bonds" means the bonds issued under this Agreement and the related bond resolutions, including any refunding bonds.

(3) “Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

(4) “Debt Service Reserve Fund” shall mean the special fund or funds to be established, maintained, and utilized, from time to time as debt service reserve funds for any one or more series Bonds issued under this Agreement under a bond resolution.

(5) “Debt Service Reserve Fund Requirement” shall mean an amount equal to the lesser of (i) the maximum annual debt service required on the outstanding principal of the Bonds, (ii) one-hundred-twenty-five percent (125%) of the average annual debt service required thereof, or (iii) ten percent (10%) of the principal amount of the Bonds, or such lesser amount required by Treasury Regulation § 148-2(f)(2) or any successor Treasury Regulation.

(6) “Participants” means the entities participating in the issuance of the Bonds, listed in Schedule I hereto, including the Participant.

(7) “Participant Financing Charges” has the meaning ascribed in Section 4.01(a) of this Agreement.

(8) “Participant Financing Charges Payments” has the meaning ascribed in Section 4.02(a) of this Agreement.

(9) “Participant Operating Charges” has the meaning ascribed in Section 4.02(b) of this Agreement.

(10) “Participant Operating Charges Payments” has the meaning ascribed in Section 4.02(b).

(11) “Participant’s Pro-Rata Portion” means the Participant’s pro rata portion of the bonds and debt service thereon, determined in accordance with the percentages set forth in Schedule I hereto.

(12) “Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

ARTICLE II
CONSTRUCTION AND FINANCING OF THE PROJECT

Section 2.01 Construction.

(a) The Authority will cause plans, specifications and contract documents to be prepared by such consultants the Board of Directors of the Authority approves and determines are necessary for the preparation of the plans, specifications and contract documents for the Project.

(b) The Project may be constructed in one or more phases and in one or more separately bid construction contracts. When the plans, specifications and contract documents for a phase of the Project have been finalized, the Authority shall give notice and take competitive bids on the construction of such phase of the Project. The Authority agrees that it will make copies of the plans, specifications, and contract documents available for inspection by the Participant after the same have been finalized.

(c) Subject to the issuance of Bonds to finance the Project, the Authority shall award construction contracts and proceed with the construction of the Project. The Authority agrees that it will make copies of the contracts for construction of the Project available for inspection by the Participants upon request after the same are awarded and executed.

(d) The Authority shall determine the location of the Project's facilities and shall use its best efforts to acquire the rights in the real estate as the sites therefor to the extent not already owned by the Authority. The Authority shall determine the necessary rights-of-way that must be acquired, if any, and proceed to acquire the necessary real estate, permits or easements for the Project.

(e) The Authority agrees to use reasonable efforts in constructing and completing the Project and in seeking all permits and required approvals therefor pursuant to the provisions hereof. The Authority shall not be liable to the Participants for any delay in completion of construction of any damages arising out of any delay by Authority in placing the Project into service. The Authority shall report on the progress and costs of construction of the Project at the appropriate customer meetings, which are expected to take place not less frequently than once per quarter.

(f) The Authority shall not be responsible for paying for the design, construction or acquisition of the Project, including without limitation the costs of consultants and the costs of land and rights of way acquisition, out of any of its own funds other than from proceeds of contract revenue bonds issued by the Authority for such purpose in accordance with this Agreement.

Section 2.02 Financing.

(a) The Authority shall cause its financial advisor to prepare a plan for financing the costs of the Project and provide the same to the Participants for review. The costs of the Project shall include all design, construction and acquisition costs as those terms are generally understood in standard accounting practice as applied to water transmission systems of this

nature, including but not limited to, purchases of equipment, supplies, capitalized interest, costs of land, easements and rights of way, including damages to land and property, raw water, engineering, financing, financial consultants, auditing, permitting and legal expenses incurred in connection with the preparation of this Agreement, the acquisition, design and construction of the Project and the issuance of the contract revenue bonds by the Authority. The maximum principal amount of the Bonds issued for the Project shall not exceed \$4,175,000, unless a greater amount is consented to in writing by the Participant. The Bonds may be issued in one or more series and may be issued on a tax exempt or taxable basis as determined by the Authority.

(b) Subject to the Authority's ability to provide for the construction of the Project as provided in Section 2.01 of this Agreement and the Authority's receipt of the requisite approvals from applicable governmental authorities, the Authority shall issue the Bonds in one or more series at such times and in such amounts as the Authority shall deem appropriate to finance the costs of the Project, subject to the limitation on the maximum principal amount established in subsection (b), above. The Authority shall submit to the Participants for review, a copy of the official statement, if any, the bond resolution and the terms of the sale of the Bonds to be issued to finance or refinance the cost of the Project.

(c) The Authority, with the consent of the Participants, may determine in the future that it is in the best interest of the Participants and the Authority to refinance the Bonds, any Bonds previously or subsequently issued to finance or refinance the Projects, or any Bonds issued to complete or improve the Projects, and to issue additional series of Bonds for such purposes under the bond resolution of the Authority authorizing issuance of the Bonds and any additional or supplemental bond resolutions adopted by the Authority in connection with the issuance of any such refunding bonds or additional bonds; provided, however, that no consent shall be required to issue refunding bonds that produce net present value savings and do not extend the maturity of the Bonds being refunded.

(d) The Bonds shall be special revenue obligations of the Authority payable from and secured solely by the Participant Financing Charges Payments to be made by the Participant under this Agreement, the payments to be made by the other Participants under agreements in substantially the same form as this Agreement, certain proceeds of the Bonds, and other amounts from time to time on deposit in the various funds or accounts created under a bond resolution authorizing the issuance of the Bonds.

(e) The Authority and the Participant covenant and agree that neither of them shall use or permit to be used any of the Project acquired under this Agreement with tax-exempt bonds in any manner or for any purpose which would cause any Bond issued on a tax-exempt basis to be deemed a "private activity bond" within the meaning of Section 141 of the Code, or as an "arbitrage bond" within the meaning of Section 148 of the Code. Further, the Participant agrees to cooperate with the Authority in the issuance of any Bonds and the preparation of any offering document or application relating to such Bonds. Participant acknowledges that a portion of the Bonds may be issued on a taxable basis.

(f) The Participant covenants and agrees to provide to the Authority with such financial information, data, projections and related information as may reasonably be required by the Authority in connection with the sale of the Bonds, approval of the Bonds by the Texas

Attorney General, and ongoing compliance with all applicable laws, rules and regulations relating to the issuance of such Bonds, including the continuing disclosure obligations described in Section 8.01 hereof.

(g) Following the sale of a series of Bonds, the Authority shall furnish the Participants a maturity schedule showing the annual payments required to pay all principal of and interest on the Bonds when and as the same shall become due and payable (including any mandatory sinking fund payments in connection with such Bonds) and the Participant's Pro-Rata Portion of such payments, determined in accordance with the percentages set forth in Schedule I hereto.

(h) Any excess proceeds from the Bonds, including interest earnings on the proceeds of the Bonds, which remain after the completion of the Project shall be utilized to redeem Bonds, transferred to the interest and sinking fund for the Bonds or used to construct other facilities on behalf of the Participants (pursuant to a contract between the Authority and the Participants).

(i) The Participant shall have the right to cause the Authority to redeem or defease the Participant's Pro-Rata Portion of the Bonds, determined in accordance with the percentages set forth in Schedule I hereto, prior to their scheduled maturities, in whole or in part, as authorized by the applicable bond resolution. The Participant shall provide the Authority with written notice of such early redemption, including the maturities and amounts to be redeemed and evidence satisfactory to the Authority of the Participant's obligation to pay the principal amount of, plus accrued interest, on such Bonds scheduled for early redemption. Participant shall be responsible for all costs and expenses associated with any such redemption or defeasance, including the fees and expenses of the Authority's bond counsel, financial advisor, verification agent, escrow agent or other consultant.

Section 2.03 Reserve Funds.

(a) Each bond resolution of the Authority authorizing a series of Bonds shall provide for the establishment and maintenance of a Debt Service Reserve Fund to be used to prevent a default in the payment of principal of, premium, if any, and interest on and paying agent/registrars fees on the Bonds if there is insufficient money for such purposes in the interest and sinking fund established for such Bonds. Each Participant shall be responsible for the payment of its pro rata portion of the Debt Service Reserve Fund Requirement as part of the Participant Finance Charges.

(b) Each bond resolution of the Authority authorizing a series of Bonds may provide for the establishment and maintenance such other reserve funds as may be required in connection with the financing or refinancing of the Project.

Section 2.04 Additional Bonds. The Authority reserves the right to issue additional parity Bonds payable from the same source as the Bonds to finance any costs of completing the Project and to finance any additions, extensions or improvements to the Project or other facilities, but the Authority will not issue any such additional Bonds without the prior written consent of the Participants.

ARTICLE III

OWNERSHIP AND OPERATION

Section 3.01 Ownership of the Project. It is expressly agreed and understood that the Authority shall be the owner of the Project, including the related appurtenances, sites, rights of way, easements and improvements thereto. The Authority shall own all of the water delivered through the Project until it passes through the delivery point to the Participant as set forth in the Customer Contract and Amended and Restated Customer Contract.

Section 3.02 Operation of the Property.

(a) From and after the completion of the Project the Authority shall operate and maintain the Project, at the sole cost and expense of the Participants, throughout the term of this Agreement.

(b) The Authority agrees to operate and maintain the Project in good operating condition, consistent with other similar facilities operated by the Authority, and further agrees that such operation and maintenance shall be done and performed in a manner that will best assure that such facilities shall remain in good operational condition consistent with their intended uses.

(c) Operation and maintenance expenses related to the Project shall include expenses of the same character as those included in, as applicable, Mainland Project Operating Charges under the Customer Contract (as defined therein) or Municipal System Operating Expenses under the Amended and Restated Customer Contract (as defined therein).

ARTICLE IV

PAYMENTS BY PARTICIPANT TO THE AUTHORITY

Section 4.01 Amount of Payments. As full and complete consideration for the services to be performed by the Authority hereunder, for so long as any of the Bonds are outstanding under a bond resolution that authorized the issuance of such Bonds, the Participant shall pay to the Authority a sum equal to the following payments:

(a) *Participant Financing Charges*. The Participant's Pro-Rata Portion of all costs and expenses paid or incurred by the Authority in connection with the financing or refinancing of the Project (collectively, the "Participant Financing Charges"), including without limitation, the following:

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

(2) amounts related to the Bonds and required under the applicable bond resolution to be paid or deposited into any fund or account established by such bond resolution (other than funds and accounts referred to in clause (1) above), including any amounts required to be paid or deposited by reason of the transfer of moneys from such funds or accounts to the funds or accounts referred to in clause (1) above, provided that the Participants shall receive credits against any amounts due under the preceding paragraph (1) or this paragraph (2) for investment earnings (net of any losses and expenses), if any, on amounts deposited in any funds created under such bond resolution and required to be paid by the Participants under the preceding paragraph (1) or this paragraph (2);

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

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

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

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

(b) *Participant Operating Charges.* The “Participant Operating Charges,” shall be in an amount equal to the operations and maintenance expenses described in Section 3.02(c) of this Agreement. The Participant Operating Charges shall be allocated in the same manner as Mainland Project Operating Charges for the Water Plant under the Customer Contract (as defined therein). At such time as the Amended and Restated Customer Contract is effective, the Participant Operating Charges shall be allocated in the same manner as Municipal System Operating Charges (as defined therein).

Section 4.02 Timing of Payments.

(a) *Participant Financing Charges Payments.* Payments of Participant Financing Charges (the “Participant Financing Charges Payments”) shall be payable in periodic payments as follows:

(1) For the purpose of paying current debt service on the Bonds and maintaining required reserve funds the Participant’s pro rata share, determined in accordance with the percentages set forth in Schedule I hereto, of the following monthly payments shall be made by the Participant not later than the 25th day of the month:

- (i) One-sixth (1/6th) of the interest payments on all of the Bonds then outstanding that are due and payable on the next interest payment date; plus
- (ii) One-twelfth (1/12th) of all principal payments (whether at maturity or by reason of any mandatory or extraordinary redemption provisions) on all Bonds that are due and payable on the next principal payment or redemption date and the costs of any credit agreements entered into in connection with the Bonds; plus
- (iii) One-sixth (1/12th) of all paying agent/registrar, trustee fees, and other expenses paid in connection with the Bonds; plus
- (iv) the monthly amount required to be deposited into the Debt Service Reserve Fund, or operating and maintenance reserve fund, if any, in order to ensure the maintenance of the proper balance in such reserve fund in the manner set forth in the bond resolution authorizing the issuance of Bonds.

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

(b) *Participant Operating Charge Payments.* Payments of Participant Operating Charges (the “Participant Operating Charges Payments”) shall be made monthly by the Participant to the Authority in the same manner as payments of, as applicable, Mainland Project Operating Charges under the Customer Contract (as defined therein) or Municipal System Operating Charges under the Amended and Restated Customer Contract (as defined therein).

Section 4.03 Source of Payments.

(a) The Participant and the Authority recognize that the Bonds will be payable from, and secured by, a pledge of the Participant Financing Charges Payments to be received by the Authority under this Agreement and the amounts payable by the other Participants under agreements in substantially the same form as this Agreement, and that in order to make the Bonds marketable at the lowest available interest rate, it is to the mutual advantage of the Participants and the Authority that the Participants’ obligation to make the payments required hereunder be unconditional. All sums payable hereunder to the Authority shall, so long as any part of the Bonds are outstanding and unpaid, be paid by the Participants without set-off, counter-claim, abatement, suspension or diminution except as otherwise expressly provided herein. So long as any part of the Bonds are outstanding and unpaid, this Agreement shall not terminate, nor shall the Participants have any right to terminate this Agreement nor be entitled to the abatement of any payment or any reduction thereof nor shall the obligations hereunder of the Participants be otherwise affected for any reason, it being the intention of the parties that so long as any part of the Bonds are outstanding and unpaid, all sums required to be paid by the Participants to the Authority shall continue to be payable in all events and the obligations of the Participants hereunder shall continue unaffected, unless the requirement to pay the same shall be

reduced or terminated pursuant to an express provision of this Agreement. The amounts owed by the Participants under this Agreement shall be payable by the Participants, notwithstanding the suspension, interruption, temporary or permanent termination or unavailability of water from the Project, in whole or in part, for any reason whatsoever, and shall not be subject to any reduction, whether by offset or otherwise.

(b) If any Participant defaults in the payment of its allocated share of the Participant Financing Charges Payments described in Section 4.02(a)(iv) above for a particular series of Bonds, such amount shall be reallocated pro rata by the Authority based on the Contract Quantities set forth in Schedule I hereof of all non-defaulting Participants so that the full amount of the Participant Financing Charges described in Section 4.01(a)(iv) above shall always be paid notwithstanding the failure of any Participant to pay any portion thereof. The obligation to fund deficiencies in the Participant Financing Charges described above shall apply to all Bonds. The Participant shall be given a credit for any amounts paid pursuant to this provision if the defaulting Participant (or a successor in interest to such defaulting Participant) subsequently makes a payment for which it was in default. The Authority shall exercise good faith efforts to pursue all available legal remedies against the defaulting Participant to obtain payment from the defaulting Participant of its share of the Debt Service Requirements as reasonably practicable after such Participant defaults.

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

(d) During the term of this Agreement, so long as the Authority has potable water available from the Thomas Mackey Water Treatment Plant under the Customer Contract to supply the Participant in amounts sufficient to meet Participant's needs, the Participant shall not obtain potable water from a source other than the Authority except (i) from facilities owned by the Participant, contracted for, or included in Participant's capital improvement plan, on the date hereof, (ii) from groundwater sources now or hereafter available to the Participant, (iii) from the direct reuse by Participant of water received under this Agreement or from groundwater sources now or hereafter available to the Participant, upon written notice to the Authority, (iv) as may otherwise be permitted by this Agreement, or (v) with the consent of the Authority, which consent shall not be unreasonably withheld.

(e) The Participant covenants and agrees to fix and maintain such rates and collect such charges for the facilities and services provided by its water and sewer system as will be adequate to permit the Participant to make prompt payment of all expenses of operating and

maintaining the Participant's water system, including payments under this Agreement, and to make prompt payment of the interest on and principal of the bonds or other obligations of the Participant payable, in whole or in part, from the revenues of its water and sewer system. The Participant pledges such revenues to payment of the amounts due hereunder to the Authority.

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

ARTICLE V

CERTAIN TERMINATION RIGHTS

Section 5.01 Term. This Agreement shall remain in force and effect to and including December 31, 2052, and thereafter until payments in full of the principal, premium, if any, and interest on all Bonds (whether paid at maturity, by defeasance or by redemption) and all related fees (including but not limited to paying agent fees and arbitrage rebate) to be paid under any bond resolution or indenture securing Bonds. Nothing in this Agreement operates to extend or otherwise modify the term of the Customer Contract or the Amended and Restated Customer Contract. The Bonds issued under this Agreement are not Mainland Project Bonds or South Project Bonds as such terms are defined under the Customer Contract.

Section 5.02 Termination.

(a) The Authority's obligation to construct and acquire the Project is contingent upon receipt by the Authority of all necessary approvals, permits, or licenses from all local, state or federal agencies, departments or instrumentalities having jurisdiction, including without limitation the Texas Commission on Environmental Quality, the General Land Office the State Historical Commission and the Attorney General of Texas. If the Authority is unable to obtain any such approval, permit, or license, the Authority agrees to use best efforts to design alternatives which are capable of obtaining such approvals, permits or licenses. If such efforts are unsuccessful, the Participant and the Authority may mutually agree to terminate this Agreement.

(b) If this Agreement is terminated under the provisions of this Article V, the Authority shall cause all engineering data which has been prepared to the date of termination by the Authority's engineers with regard to the Project to be delivered to the Participants, together with a statement of actual expenses (including, but not limited to legal services) and other costs paid or incurred by the Authority with regard to the financing, engineering or design of the Project to the date of termination. Each Participant shall, promptly after such delivery, pay to the Authority a sum equal to its pro rata portion of such fees, expenses and costs, determined using the percentages set forth in Schedule I hereto. If the Bonds have been issued and the Project is not constructed, the Participant shall nevertheless continue to make all payments due hereunder until it instructs the Authority to redeem or defease its portion of the Bonds in accordance with Section 2.02(i) hereof and the applicable bond resolution, and no Bonds are outstanding under the bond resolution.

(c) Upon full repayment of the Bonds and any related amounts due as arbitrage rebates to the United States of America or to the paying agent for its Bonds or to the Authority in connection with the Bonds, any funds remaining in any sinking fund, debt service reserve fund or other account established under the terms of this Agreement or the Bond Resolution shall be promptly paid to the Participants on a pro rata basis by the Authority.

(d) Should the Authority fail to issue the Bonds within nine (9) months of the date of this Agreement, this Agreement shall terminate except for the payment of costs of the Project (including but not limited to legal fees, engineering and consulting costs) incurred by the Authority prior to the date of termination. The Participants recognizes that in order to commence and complete the Project as soon as possible, the Authority will incur contractual obligations to pay for certain costs of the Project. Promptly after the date of termination, the Authority will determine reasonable and necessary costs paid or incurred prior to such date and prepare an amortization schedule to pay and discharge all such costs within eighteen (18) months after the date of termination, and the Participant shall pay its monthly share of such costs in the same manner and from the same source as provided for the remaining payments under this Agreement.

ARTICLE VI

DEFAULTS AND REMEDIES

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

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

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

Section 6.02 Remedies.

(a) It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (including termination subject to the provisions of Section 5.02) existing at law or in equity may be availed of by either party and shall be cumulative.

(b) If a monetary default shall occur and be continuing, the Authority shall have the right to cease delivery of water through the Project by giving to the Participant thirty (30) calendar days' advance written notice of the effective date of such cessation. Such cessation, however, shall not be effective if prior to the effective date of cessation the Participant shall have fully paid such bill and the interest accrued thereon. In addition, the Authority shall have the right to terminate all of the Participant's other rights, including the Participant's right to receive

delivery of water, but not the Participant's monetary and non-monetary obligations, under this Agreement. No termination of rights pursuant to this Section 6.02(b) shall have the effect of relieving the Participant of any liability which it would otherwise have had if no such termination had occurred.

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

(d) No waiver or waivers of any breach or default (or any breaches or defaults) by either party hereto of any term, covenant, condition, or liability hereunder, or of performance by the other party of any duty or obligation hereunder, shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, under any circumstance.

Section 6.03 Force Majeure. If Force Majeure (as defined below) prevents either party hereto from performing any of its obligations under this Agreement (except the unconditional obligation of the Participant to make the payments required in Article IV, in whole or in part, then the obligations of such party, to the extent affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, so long as such party is exercising due diligence to resume performance at the earliest practicable time. As soon as reasonably possible after the occurrence of the Force Majeure relied upon, the party whose contractual obligations are affected thereby shall give notice and full particulars of such Force Majeure to the other party. The term "Force Majeure," as used herein, shall include, without limitation of the generality thereof, acts of God, fire, storm, flood, hurricanes, drought, insufficiency of water in the Brazos River and in Jones and Upper Oyster Creeks, Chocolate Bayou, Mustang Bayou or Halls Bayou, or other water source, landslide, subsidences of land, lightning, earthquake, washout, explosion, epidemic, war, acts of enemies or belligerents, sabotage, interference by, orders of, or compliance with requests or recommendations of civil or military courts or other authorities, including any agency or person appointed by any such authority or by any official thereof (whether de jure or de facto and whether acting legally or not), inability to obtain materials, strikes or other differences with labor (whether or not within the power of the party to settle the same), breakage or accident to machinery, canals, reservoirs or lines of pipe, or any other cause (whether or not of the same class or kind as those set forth above) not otherwise due to the fraud, criminal misconduct, willful misconduct or gross negligence of such party. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to it in the judgment of the party having the difficulty.

ARTICLE VII

OWNERSHIP OF PLANS, REPORTS, SPECIFICATIONS, ETC.

Section 7.01 Plans and Specifications. The Participant and the Authority agree that all designs, drawings, plans, specifications, reports, studies, or any other materials prepared for the Project shall be the property of the Authority, but that the Authority shall furnish to the

Participants originals or reproductions of “as built” drawings of the Project upon completion of the construction.

ARTICLE VIII

CONTINUING DISCLOSURE AGREEMENT

Section 8.01 Continuing Disclosure. The Participant hereby agrees to furnish the Authority with such certificates, data, projections and related information as may be reasonably required by the Authority in connection with the sale of Bonds in order to comply with all applicable laws, rules and regulations, including 17 CFR 240.15c2-12 (municipal securities disclosure). To the extent the Participant’s allocation percentage set forth in Schedule I hereto is greater than 20% or the Participant is otherwise required in connection with the sale of a series of Bonds, the Participant hereby agrees to enter into additional continuing disclosure agreements with the Authority as may be necessary in order to comply with SEC Rule 15c2-12 or other applicable securities laws in substantially the form attached hereto as **Exhibit B**. The City Manager of Participant is hereby authorized to execute a continuing disclosure agreement on behalf of the Participant in substantially the form attached hereto as **Exhibit B**, with such changes as are authorized by such official as evidenced by his or her execution of such agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.01 Insurance. The Authority will maintain, or cause to be maintained by its agents or contractors, to the extent required by applicable law, the applicable bond resolution and available and practicable on the basis of the advice of its insurance carrier, insurance coverage on the Project. All policies evidencing the insurance permitted by this Section shall be maintained in generally recognized, responsible insurance companies or associations insuring municipal corporations qualified under the laws of the State of Texas to assume the respective risks undertaken and may be written with reasonable deductible amounts. The Authority may set forth a standard of care for emergency actions as the Authority deems necessary in order to minimize the tort liability of the Authority.

Section 9.02 No Additional Reserved Capacity or Contract Quantity. The Participant acknowledges and agrees that the Participant’s Reserved Capacity (as defined in the Customer Contract) and Contract Quantity in the Authority’s Mainland System (as defined in the Customer Contract) and in the Authority’s Municipal System (as defined in the Amended and Restated Customer Contract) is established in the Customer Contract and the Amended and Restated Customer Contract. Nothing in this Agreement modifies the Participant’s Contract Quantity (as defined in the Customer Contract and the Amended and Restated Customer Contract) or Reserved Capacity (as defined in the Customer Contract).

Section 9.03 Condemnation. In case any significant damage to or destruction of any part of the Project occurs or any significant part thereof is taken by eminent domain, the

Authority and the Participants shall comply with the provisions of the applicable bond resolution with respect to authorizing refunding bonds or additional bonds.

Section 9.04 Consent. Whenever this Agreement requires or permits approval or consent to be hereafter given by the Participants, the Participant agrees that such approval or consent shall not be unreasonably withheld or delayed. Such approval or consent by the Participant may be evidenced by an order or resolution or other action properly adopted by the governing body of the Participant and noted in the minutes of its meeting or by an appropriate certificate executed by a person, firm or entity authorized to determine and give approval or consent on behalf of the Participant pursuant to an order or resolution or other action adopted by the governing body of the Participant.

Section 9.05 Notice. Unless otherwise provided in this Agreement, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by either party to the other must be in writing and may be given or be served by depositing the same in the United States mail postpaid or registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram, or facsimile transmission when appropriate, addressed to the party to be notified. Notice shall be conclusively deemed to be effective when received by the party to be notified. For the purpose of Notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the
Participant: City of La Marque, Texas
 1111 Bayou Road
 La Marque, Texas 77568
 Attention: City Manager

If to the
Authority: Gulf Coast Water Authority
 4243 Emmett F. Lowery Parkway
 Texas City, Texas 77591
 Attention: General Manager

The parties shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least five (5) days' written notice to the other party.

Section 9.06 Amendments. This Agreement shall be subject to change or modification only with the mutual consent of the Authority and the Participant, but the Participant recognizes that the bond resolution securing the Authority's Bonds may contain covenants by the Authority not to consent to certain changes or modifications of this Agreement and, pursuant to Section 9.07 hereof, this Agreement shall be in substantially similar form for all Participants.

Section 9.07 Special Conditions. This document is in the form of a standard contract proposed for the Participants.

Section 9.08 Assignment. This Agreement shall not be assignable by either party without the prior written consent of the other party.

Section 9.09 Third Party Beneficiary. This Agreement shall be for the sole and exclusive benefit of the Authority, the Participant and the owners and holders of the Bonds. The Authority is hereby granted the specific right to pledge payments received hereunder in connection with the issuance of the Bonds.

Section 9.10 Captions and Headings. The captions appearing at the first of each numbered article and section in this Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement, or any provision hereof, or in connection with the duties, obligations, or liabilities of the respective parties hereto or in ascertaining intent, if any question of intent should arise.

Section 9.11 Severability. The provisions of this Agreement are severable, and if any provision or part of this Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall not be affected thereby.

Section 9.12 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto relating to the funding of the Project. There are no warranties, representations, agreements, arrangements, or understandings, oral or written, relating to the subject matter hereof that are not fully expressed or provided for herein, and the parties shall not be bound by or liable for any alleged warranty, representation, agreement, arrangement, or understanding. Neither of the parties hereto have relied on any statements or representations that have been made by any other party that are not set forth in this Agreement, and neither party is entitled to rely on any representation, agreement or obligation that is not expressly stated in this Agreement. This Agreement does not amend in any way or extend the term of any other agreement between the parties hereto, including the Customer Contract.

Section 9.13 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

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

CITY OF LA MARQUE, TEXAS

By: _____
Name: _____
Title: _____

ATTEST:

By: _____
Name: _____
Title: _____

(SEAL)

GULF COAST WATER AUTHORITY

By: _____
President, Board of Directors

ATTEST:

Secretary, Board of Directors

Schedule I

Participants and Allocation of Debt Service

Customer	Contract Quantity in the South Transmission System (in gallons per day)	Contract Quantity Associated with Capital Contributions For Project (in gallons per day)	Contract Quantity Associated with Amounts being Financed with the Bonds (in gallons per day)	% of Total ⁽¹⁾
City of Galveston	20,990,000	20,990,000	-	-
City of Hitchcock	2,000,000	-	2,000,000	17.70%
City of La Marque	1,647,000	-	1,647,000	14.58
City of League City	5,544,000	-	5,544,000	49.06
Galveston County FWSD No. 6 (Tiki Island)	810,000	810,000	-	-
Galveston County MUD No. 12 (Bayou Vista)	450,000	-	450,000	3.98
Galveston County WCID No. 8 (Santa Fe)	1,659,000	-	1,659,000	14.68
Galveston County WCID No. 1 (Dickinson)	1,065,000	1,065,000	-	-
Total	34,165,000	22,865,000	11,300,000	100.00%

⁽¹⁾ The allocation is expressed as a percentage derived by dividing Contract Quantity associated with the South Transmission System that is being bond financed by a Participant participating in the Bonds by total of all Contract Quantity associated with the South Transmission System being financed by all Participants participating in the Bonds.

Exhibit A

Description of the Project

The Project includes the following:

1. Hwy 3 - Hwy 146 Interface - Waterline Relocation: Relocate a portion of the existing 42-inch waterline to accommodate the Texas Department of Transportation expansion of State Highway 146 and State Highway 3.
2. South Line Interconnect Repair: Isolate and terminate certain interconnections along the Authority's State Highway 6 South Line, from Alta Loma Pump Station to Bayou Vista, where valves that do not properly isolate or are stuck in a semi-open position causing water to leak into the abandoned line.
3. Calder Meter Station - Site Upgrades: Improve the existing meter station on the South Transmission System located near the intersection of Calder Road and FM 517 to create a safe ingress/egress for operations staff; make building repairs including roof replacement, building door replacement, and a fence with gates; and provide flush points upstream and downstream of the meter station.
4. FM 517 - 30-Inch Waterline Relocation: Relocate a portion of the existing 30-inch waterline from the City of League City connection adjacent Calder Drive to FM 646 to accommodate the Texas Department of Transportation expansion of Farm to Market Road No. 517 (FM 517).

Exhibit B

Form of Continuing Disclosure Agreement

[See attached.]

**GULF COAST WATER AUTHORITY
WATER SYSTEM CONTRACT REVENUE BONDS
(SOUTH TRANSMISSION SYSTEM)**

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated _____, 2023 (as amended, modified or supplemented from time to time, this “**Continuing Disclosure Agreement**”) is entered into by and between the [PARTICIPANT], a [_____] of the State of Texas (the “**Participant**”) and the Gulf Coast Water Authority, a conservation and reclamation district of the State of Texas (the “**Authority**”) for the benefit of the holders or beneficial owners from time to time of the bonds secured by payments from the Participants under the South Transmission System Financing Agreement (as defined herein).

BACKGROUND

The Authority is in process of issuing its Contract Revenue Bonds (South Transmission System), Series 2023 (the “**South Transmission System Bonds**”), the proceeds of which will be used to fund a portion of the cost of the acquisition, construction and equipment of certain water supply facilities and improvements described in the South Transmission System Financing Agreement.

The South Transmission System Bonds shall be issued pursuant to the terms and conditions of the Water Facilities Financing Agreement (South Transmission System) between the Authority and the Participants, as defined therein, as amended or supplemented from time to time (the “**South Transmission System Financing Agreement**”).

The Authority is authorized to issue additional bonds (“**Additional Bonds**”) and refunding bonds (“**Refunding Bonds**”) by the resolution authorizing the issuance of the South Transmission System Bonds (the “**South Transmission System Bond Resolution**”) and the South Transmission System Financing Agreement.

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

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

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

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

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

Section 1. Definitions Section 2. . Any capitalized term used in this Continuing Disclosure Agreement shall have the meaning ascribed thereto in the in the Recitals above, and if not defined in the recitals above they shall have the meanings specified below:

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

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

“**MSRB**” means the Municipal Securities Rulemaking Board.

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

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

(a) The Participant shall provide annually to the MSRB (with a copy to the Authority), (i) within six (6) months after the end of each fiscal year of the Participant ending in or after 2023, financial information and operating data with respect to the Participant of the general type included in the Official Statement, being the information described in the resolution approving a series of Bonds and the related pricing certificate, and including financial statements of the Participant if audited financial statements of the Participant are then available, and (ii) if not provided as part of such financial information and operating data, audited financial statements of the Participant, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded fiscal year, or such other accounting principles as the Participant may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the Participant commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Participant shall file unaudited financial statements within such 12-month period and audited

financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available.

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

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

Section 3. Reporting of Listed EventsSection 4. .

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

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves;
- (iv) Unscheduled draws on credit enhancements;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
- (vii) Modifications to rights of bondholders;
- (viii) Bond calls and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Participant. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar

officer for the Participant in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Participant, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Participant;

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

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

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

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

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

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

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

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

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

Section 5. Accuracy and Completeness. The Participant warrants that all information provided by it to the Authority or the MSRB pursuant to this Continuing Disclosure Agreement will be accurate in all material respects to the best of its knowledge and belief. The Participant

will provide the Authority with such information as the Authority may reasonably request to confirm the accuracy and completeness of any information provided by the Participant pursuant to this Agreement. Information shall be audited if prepared in such form, or may be unaudited if audited information is not available.

Section 6. Termination of Reporting Obligation Section 7. This Agreement shall automatically terminate without further notice or condition upon the occurrence of any of the following events:

- (a) The legal defeasance, prior redemption or payment in full of all of the Bonds; or
- (b) Any of the following apply: (i) the Participant's allocation percentage as set forth in Schedule I of the South Transmission System Financing Agreement drops below 20% or (ii) the Participant otherwise no longer meets the criteria of an obligated person as defined in the Rule, unless the requirements of disclosure have changed through amendment or interpretation of the Acts of the Rule.

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

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

Section 9. Limitations, Disclaimers, and Amendments.

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

(b) UNDER NO CIRCUMSTANCES SHALL THE PARTICIPANT BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE PARTICIPANT, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS

CONTINUING DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

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

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

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

Section 10. NoticesSection 11. . All notices or other communications shall be sufficiently given and shall be deemed given on the second day following the date on which the same have been personally delivered or mailed by certified mail, return receipt requested, postage prepaid, to the following addresses or, if sent by electronic communication, with receipt confirmed. The Participant and the Authority may, by written notice to the other persons listed below, designate a different address or email address to which subsequent notices or communications should be sent.

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

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

With a copy to:

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

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

[Participant]

[_____]

Attention:
Email:

Section 11. RemediesSection 12. . In the event the Participant fails or refuses to provide the information required by Sections 2 or 3 hereof, the Authority shall have all remedies provided by law or in equity to enforce the terms and conditions of this Agreement.

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

Section 13. SeverabilitySection 14. . If any provision in this Continuing Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14. Counterparts; Electronic SignaturesSection 15. . This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. To the fullest extent permitted by applicable law, electronically transmitted or facsimile signatures shall constitute original signatures for all purposes under this Continuing Disclosure Agreement.

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

[Remainder of this page intentionally left blank]

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

GULF COAST WATER AUTHORITY

By: _____
Name: Brandon Wade
Title: Authorized Officer

PARTICIPANT

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title: