RESOLUTION NO. 20180627-002

A RESOLUTION OF THE ALLIANCE REGIONAL WATER AUTHORITY BOARD OF DIRECTORS APPROVING A WATER TREATMENT AND DELIVERY AGREEMENT WITH THE GUADALUPE-BLANCO RIVER AUTHORITY, AND DECLARING AN EFFECTIVE DATE

RECITALS:

1. The Alliance Regional Water Authority (the "ARWA") is developing a Carrizo Aquifer water supply project in eastern Caldwell County that includes a wellfield, pump station, and water treatment and transmission facilities for delivery of water to ARWA's sponsors or wholesale customers, with groundwater permitting complete and permits issued for approximately 15,000 acre feet per year, and pipeline routing and development of a construction program and financing underway.

2. The Guadalupe-Blanco River Authority ("GBRA") has acquired a Carrizo Aquifer water supply project associated with GBRA's own, previously planned groundwater supply project in eastern Caldwell and northern Gonzales Counties, both of which contemplate production, treatment and transmission facilities for delivery of water to serve wholesale customers, with groundwater permitting complete and permits issued for approximately 15,000 acre feet per year, and pipeline routing and development of a construction program and financing underway.

3. ARWA and GBRA desire to enter into this Agreement to achieve cost savings through sharing in various costs associated with the water transmission lines, water treatment plant, and other associated infrastructure, land and property required for treating and delivering their respective groundwater supplies from the wellfields to their intended delivery points and subsequent, respective beneficial uses.

4. ARWA's ownership of the Project Facilities, the ownership interests of ARWA and GBRA in the Project Property, and in the capacity of the Project Facilities, and the allowance for each ARWA and GBRA to construct, operate and maintain one additional pipeline in the Project Property subsequent to construction of the Project Facilities, are at the core of this Agreement, and each Party expressly represents and acknowledges that they would not have entered into this Agreement without those matters being carefully specified herein.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALLIANCE REGIONAL WATER AUTHORITY:

PART 1. The attached Water Treatment and Delivery Agreement with the Guadalupe-Blanco River Authority is approved.

PART 2. Alliance Water's Board Chair, Chris Betz, is authorized to execute the Agreement on behalf of Alliance Water.
PART 3. This Resolution shall be in full force and effect immediately upon its passage.

ADOPTED: June 27, 2018.

Chris Betz
Chair, Board of Directors

ATTEST:
James Earp
Secretary, Board of Directors
WATER TREATMENT AND DELIVERY AGREEMENT
BETWEEN
ALLIANCE REGIONAL WATER AUTHORITY
AND
GUADALUPE-BLANCO RIVER AUTHORITY

This Water Treatment and Delivery Agreement ("Agreement") is made and entered into by and between the Guadalupe-Blanco River Authority ("GBRA"), a Texas conservation and reclamation district organized under Article 16, Section 59 of the Texas Constitution, and Alliance Regional Water Authority ("ARWA"), a Texas conservation and reclamation district organized under Article 16, Section 59 of the Texas Constitution (collectively, the "Parties" and singularly, "Party" unless the context provides otherwise). The Effective Date of this Agreement is the 27th day of June, 2018.

RECITALS

WHEREAS, ARWA is developing a Carrizo Aquifer water supply project in eastern Caldwell County that includes a wellfield, pump station, and water treatment and transmission facilities for delivery of water to ARWA’s sponsors or wholesale customers, with groundwater permitting complete and permits issued for approximately 15,000 acre feet per year, and pipeline routing and development of a construction program and financing underway;

WHEREAS, GBRA has acquired a Carrizo Aquifer water supply project associated with GBRA’s own, previously planned groundwater supply project in eastern Caldwell and northern Gonzales Counties, both of which contemplate production, treatment and transmission facilities for delivery of water to serve wholesale customers, with groundwater permitting complete and permits issued for approximately 15,000 acre feet per year, and pipeline routing and development of a construction program and financing underway;

WHEREAS, the Parties desire to enter into this Agreement to achieve cost savings through sharing in various costs associated with the water transmission lines, water treatment plant, and other associated infrastructure, land and property required for treating and delivering their respective groundwater supplies from the wellfields to their intended delivery points and subsequent, respective beneficial uses;

WHEREAS, the ARWA’s ownership of the Project Facilities, the ownership interests of each Party in the Project Property, and in the capacity of the Project Facilities, and the allowance for each Party to construct, operate and maintain one additional pipeline in the Project Property subsequent to construction of the Project Facilities, all as specified herein, are at the core of this Agreement, and each Party expressly represents and acknowledges that it would not have entered into this Agreement without those matters being carefully specified herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the sufficiency of which are hereby acknowledged, and upon and subject to the terms and conditions hereinafter set forth, ARWA and GBRA mutually undertake, promise, and agree as follows:
AGREEMENT

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

“ARWA’s Water Supply” means ARWA’s groundwater interests in the Carrizo Aquifer that is the source of raw water ARWA will deliver to the Project Facilities.

“ARWA’s Annual Maximum Raw Water Delivery Rate” means the maximum cumulative amount of raw water ARWA can deliver through ARWA’s delivery meter to the Project Facilities during any calendar year.

“ARWA’s Annual Maximum Treated Water Delivery Rate” means the maximum amount of treated water delivered by ARWA to ARWA’s respective points of delivery during any calendar year, which is the balance of treated water that ARWA can deliver to ARWA’s respective points of delivery after setting aside GBRA’s Annual Maximum Treated Water Delivery Rate less System Losses.

“ARWA Point of Delivery” means a point at which ARWA will deliver treated water to ARWA’s Separate Facilities for delivery by ARWA to its sponsors or customers. The ARWA Points of Delivery are generally described in Exhibit A-1 attached hereto and incorporated herein for all purposes. Upon finalizing the exact location of the ARWA Points of Delivery, the Parties shall substitute Exhibit A-1 with those finalized exact locations.

“GBRA’s Annual Maximum Raw Water Delivery Rate” means the maximum cumulative amount of raw water GBRA can deliver through GBRA’s delivery meter to the Project Facilities during any calendar year, which is 15,000 acre feet.

“GBRA’s Annual Maximum Treated Water Delivery Rate” means the maximum cumulative amount of treated water delivered by ARWA to the GBRA Points of Delivery during any calendar year, which is 15,000 acre feet, less System Losses.

“GBRA’s Gonzales Carrizo Water Supply Project” means GBRA’s water supply project that will bring Carrizo Aquifer water from Gonzales and Caldwell counties, and deliver that water to wholesale customers of GBRA in Caldwell, Hays, Guadalupe, and Comal counties.

“GBRA’s Maximum Instantaneous Raw Water Delivery Rate” means the maximum amount of raw water GBRA can deliver through GBRA’s delivery meter to the Project Facilities during any consecutive 60-second (one minute) period of time, which is 9,299 gallons.
“GBRA’s Maximum Instantaneous Treated Water Delivery Rate” means the maximum amount of treated water delivered by ARWA to the GBRA Points of Delivery during any consecutive 60-second (one minute) period of time, which is 9,299 gallons, less System Losses.

“GBRA Point of Delivery” means a point at which ARWA will deliver treated water to GBRA’s Separate Facilities for delivery by GBRA to its customers. The GBRA Points of Delivery are generally described in Exhibit A-1 attached hereto and incorporated herein for all purposes. Upon finalizing the exact location of the GBRA Points of Delivery, the Parties shall substitute Exhibit A-1 with those finalized exact locations.

“GBRA’s Water Supply” means GBRA’s groundwater interests in the Carrizo Aquifer that is the source of the raw water GBRA will deliver to the Project Facilities.

“Project” means the initiative of the Parties to collaborate pursuant to the terms of this Agreement to achieve cost savings through sharing in various costs associated with the Project Facilities and Project Property.

“Project Advisory Committee” means the Committee described in Section 3.2 of this Agreement.

“Project Debt Instruments” means the bonded indebtedness each Party undertakes to fund its respective share of the Project costs.

“Project Facilities” means the water treatment plant and those water transmission lines, pump stations, metering equipment, piping, control devices, systems and appurtenances at delivery points, and other associated improvements to be used for the purpose of (1) receiving untreated groundwater from each Party in a volume, rate, and quality set forth in this Agreement and (2) treating and delivering water to each Party at the locations, volume, rate, and quality set forth in this Agreement. The infrastructure known to be required for the Project Facilities as of the Effective Date are summarized in Exhibit A-2. The actual infrastructure will not be known until the preliminary engineering report described in this Agreement is completed. If changes to the planned Project Facilities are proposed, ARWA will notify GBRA and will reasonably cooperate with GBRA during the planning and design phases so that the needs of both Parties are known and considered. Project Facilities do not include any Separate Facilities of either Party.

“Project Property” means the real property interests, land and easements associated with the Project Facilities. This term does not extend to property interests, land or easements owned by a Party and associated with that Party’s separate facilities.

“Separate Facilities” means facilities owned by a Party that serve either (1) to deliver that Party’s raw water to the Project Facilities, or (2) to deliver treated water from a Party’s Points of Delivery to one or more sponsors or customers of that Party.

“System Losses” means water losses that occur in the Project Facilities during the course of treatment and delivery, the amount of which will be determined by ARWA in accordance with industry standards and with input from the Project Advisory Committee.
The term “transmission” of water is synonymous with “delivery” of water unless the context provides otherwise.

ARTICLE II
PROJECT OWNERSHIP

2.1 Ownership of Land and Easements.

(a) ARWA shall own the real property interests in any and all Project Property except for the portion of the pipeline easement reserved for GBRA’s additional pipeline. GBRA shall not have any legal or equitable rights in the land and easements, except to the extent provided by Subsection 2.1(b) and (c).

(b) The Parties agree that all real property interests acquired for the Project Facilities shall be of sufficient size to meet the requirements of the final plans and specifications set forth in Section 3.3 and to provide additional space for each Party to locate one additional pipeline owned by that Party in the pipeline easement for use with the Party’s future water supply projects, including but not limited to groundwater, surface water, and aquifer storage and recovery projects. These two additional pipelines will not be components of the Project Facilities. Each Party, when installing its additional pipeline, must do so in a manner that does not conflict with the Project Facilities. Each Party shall develop an installation plan regarding installation of its respective pipeline and submit that plan to the Project Advisory Committee for review and comment. The Project Advisory Committee may provide comments within 15 (fifteen) calendar days after receiving the installation plan. Each Party shall consider the comments from the Project Advisory Committee when constructing its facilities. GBRA shall own that portion of the pipeline easement reserved for GBRA’s additional, separately owned pipeline as reflected in Exhibit B-1. ARWA shall own the remaining portion of this pipeline easement as reflected in Exhibit B-1. During initial acquisition of the pipeline easements, ARWA shall include language in each easement that allows ARWA to assign a portion of the easement to GBRA that is described in this section. The easement to be acquired by ARWA shall include, at a minimum, the elements described in the attached Exhibit B-2. Within 60 (sixty) calendar days of ARWA’s acquisition of the last pipeline easement required for the Project and within which these two additional pipelines may be installed, ARWA agrees to assign GBRA’s portion of the easement to GBRA. The assignment shall include, at a minimum, the elements described in the attached Exhibit B-3.

(c) ARWA agrees to grant or assign GBRA an easement with an additional temporary construction easement over, across, under and upon the tract of property owned by ARWA that will be used for the water treatment plant site, for GBRA’s pipelines that will deliver raw water from GBRA’s well field to the water treatment plant. ARWA agrees to provide GBRA with the easements and temporary construction easements within sixty (60) days after receiving written notice from GBRA that GBRA intends to begin construction of its Separate Facilities. The easements and temporary construction easements shall include, at a minimum, the elements described in the attached Exhibit B-2. During the design of the Project Facilities, ARWA, with input from the Project Advisory Committee, will determine the best location for the easements, and the width of the easements and temporary construction easements. The width of the easements
and the temporary construction easements shall be sufficient to accommodate two pipelines to the treatment plant and other facilities that may be required. After the Effective Date of this Agreement, ARWA agrees to allow GBRA access to the treatment plant site to allow GBRA to conduct investigations, including without limitation, soil tests (including borings as necessary), topographical and boundary surveys, engineering studies, planning feasibility studies, archeological and environmental inspections (including shovel tests and backhoe trenching, as necessary), a study of drainage and access, appraisals, and all such other investigations and surveys (collectively “Investigations”) as GBRA may require to determine the locations and widths of the easements and the suitability of the land for GBRA’s raw water pipelines and related facilities. GBRA shall provide reasonable notice to ARWA that it intends to access the property to conduct the Investigations and shall coordinate with ARWA to ensure GBRA’s activities do not interfere with the design, construction, or operation of the Project Facilities.

2.2 Ownership of Project Facilities. ARWA shall own the Project Facilities and any improvements to the Project Facilities, except for the capacity in the Project Facilities described below in Section 2.3. Except as provided by Section 2.3, GBRA shall not have any legal or equitable rights to the Project Facilities.

2.3 Ownership of Capacity.

(a) GBRA shall own capacity in the Project Facilities in the quantities as described in this Section 2.3 and in Exhibit C attached to and incorporated into this Agreement for all purposes. ARWA shall own all capacity in the Project Facilities not owned by GBRA. Neither Party shall have the right to use capacity owned by the other Party without written consent on terms mutually agreeable to both Parties.

(b) GBRA’s ownership interest in capacity in the Project Facilities may not be terminated or abrogated and ARWA shall be obligated to treat and deliver water from GBRA’s Water Supply using GBRA’s capacity in the Project Facilities, less System Losses. This Section 2.3, GBRA’s ownership interest in the capacity in the Project Facilities, and ARWA’s obligation to treat and deliver water from GBRA’s Water Supply, shall survive the termination of this Agreement.

ARTICLE III
PROJECT FACILITIES DEVELOPMENT AND OVERSIGHT

3.1 Project Development Overview.

(a) Unless otherwise agreed to in writing by the Parties, ARWA shall be responsible for the design and construction of all of the Project Facilities and the acquisition of all of the real property required for the Project Facilities and other facilities to be located on Project Property.

(b) The improvements known on the Effective Date to be required for the Project Facilities are summarized in Exhibit A-2, along with the estimated cost as of the Effective Date. However, the actual improvements will not be known until the engineering report described in this Agreement is completed, and the actual cost of the improvements will not be known until bids
from contractors are received. Multiple construction contracts initiated at different times are anticipated to be required to complete the Project Facilities. At the request of GBRA, ARWA will evaluate whether to allow GBRA to take the lead on any aspect of the design, planning, acquisition, construction, and completion of any portion of the Project Facilities or Project Property. ARWA is under no obligation, however, to accept GBRA’s request to take the lead under this subsection and, if ARWA does not accept GBRA’s request to take the lead, then ARWA will take the lead. If GBRA takes the lead to design and construct any portion of the Project Facilities, GBRA shall comply with the requirements of Sections 3.1(c), 3.2, 3.3, and 4.1, as if it were ARWA.

(c) During the planning and design phase, each Party is responsible for identifying in writing to the other Party any infrastructure that is proposed to be used to deliver or receive water from the Project Facilities, or that may be directly associated with or that may affect the operation of the Project Facilities in any way, and which is independently owned or controlled by the Party. Each Party shall notify the other Party in writing if changes in the proposed infrastructure to deliver or receive water from the Project Facilities are necessary after the planning and design phase. Subject to receiving and maintaining all necessary regulatory approvals from the Texas Commission on Environmental Quality and any relevant groundwater conservation district, each Party agrees to design and construct infrastructure improvements to that portion of its respective system that connects with the Project Facilities in a manner consistent with the design and construction of the Project Facilities such that the Project Facilities will receive that Party’s untreated groundwater in a volume, rate, and quality set forth in this Agreement and will then deliver treated water back to that Party at the volume, rate, and quality set forth in this Agreement. Each Party shall incorporate a Supervisory Control and Data Acquisition (“SCADA”) system compatible with the Project Facilities and will coordinate access to the SCADA system by the Project Operator as may be required for the convenient and proper operation of the Project Facilities.

3.2  Project Advisory Committee.

(a) The Parties agree to the creation of a Project Advisory Committee, which shall consist of three representatives from each Party appointed by GBRA’s General Manager and ARWA’s Executive Director.

(b) ARWA and GBRA shall cooperate with each other through the Project Advisory Committee to the extent described in this Agreement to ensure the Project Facilities, Project Property, connecting facilities, and other easements that may be required by either Party for their Separate Facilities meet the requirements of the Parties.

(c) The Project Advisory Committee may perform the following functions:

(1) Provide input on minimum design standards for the various components of the Project Facilities that will be used by the engineers in designing the Project Facilities and used by the contractors constructing the Project Facilities;

(2) Provide input regarding the design, planning, bidding, and construction of the Project Facilities;
(3) Monitor changes in the construction projects and provide input to ARWA regarding the compatibility of these changes with the objectives of this Agreement;

(4) Recommend whether one or more consultants should be hired by ARWA to provide start-up services for the design, planning, bidding, and construction of the Project Facilities and, if so, provide recommendations regarding consultant selection;

(5) Review operator proposals and provide recommendations to ARWA;

(6) Review annual budgets for the Project submitted by the operator and provide recommendations to ARWA;

(7) Review annual audited financial statements provided by ARWA and GBRA;

(8) Provide input on operating procedures to address System Losses and the allocation of those losses between the Parties, how each Party will provide sufficient raw water to the Project Facilities, how ARWA will use Project Facilities for peaking, and how GBRA will meet its customers’ demands while not exceeding GBRA’s Maximum Instantaneous Raw Water Delivery Rate or GBRA’s Maximum Instantaneous Treated Water Delivery Rate;

(9) Provide input on operating procedures that ensure neither Party uses the capacity of the other Party;

(10) Review and comment on coordination plans developed in connection with the construction of facilities in the Project Property that are not Project Facilities; and

(11) Perform other tasks that ARWA and GBRA jointly agree would be appropriate.

(d) ARWA and its consulting engineer shall consider all the input, comments and recommendations provided to ARWA by the Project Advisory Committee. Except as provided by this subsection (d), the Project Advisory Committee’s input, comments and recommendations are not binding on ARWA. Notwithstanding the foregoing, ARWA shall comply with the minimum design standards and the operating procedures for which the Project Advisory Committee has provided input in accordance with Section 3.2(c)(1) and (c)(10).

3.3 Project Design and Construction.

(a) Preliminary Engineering Report. Within 90 (ninety) calendar days of the Effective Date of this Agreement, ARWA will cause its consulting engineer to immediately begin preparing a preliminary engineering report (the “report”) for the Project Facilities and to complete the report as soon as practicable. At a minimum, the report will address the number of design and construction projects required for the Project Facilities, detailed costs of each component of the Project Facilities and Project Property and the schedule for completion of all of the Project
Facilities up to the Total Capacity. A draft of the report will be provided to the Project Advisory Committee for review and comment. The Project Advisory Committee will submit comments to ARWA’s consulting engineer within 30 (thirty) calendar days of receipt of the draft report. A proposed final report will be submitted to the Project Advisory Committee within 15 (fifteen) calendar days of receipt of the Project Advisory Committee’s comments. The Project Advisory Committee may provide comments within 15 (fifteen) calendar days of receipt of the final report. ARWA shall direct its consulting engineer to consider the Project Advisory Committee’s comments and complete the final report.

(b) Final Plans and Specifications and Bid.

(1) After completion of the Preliminary Engineering Report, ARWA shall proceed with final engineering design, acquisition of easements and rights-of-way, environmental investigations, and solicitation of construction bids.

(2) For each component of the Project Facilities in the construction program, ARWA shall prepare final plans and specifications consistent with the Preliminary Engineering Report. Prior to finalizing the final plans and specifications, ARWA shall provide a copy of the plans to the Project Advisory Committee for its review and comment. The Project Advisory Committee may provide comments within 15 (fifteen) calendar days of receipt of the draft plans. ARWA shall direct its consulting engineer to consider the Project Advisory Committee’s comments before finalizing the final plans and specifications.

(3) ARWA shall solicit construction bids for construction of the Project Facilities in accordance with applicable law and ARWA’s procurement policies. ARWA shall provide a copy of the bid results to the Project Advisory Committee. The Project Advisory Committee may provide comments within five (5) calendar days of receipt of the bid results. ARWA shall notify GBRA in writing of the bid results and the bid award.

(c) Real Property Interests. ARWA is responsible for securing all of the real property interests for all transmission routes and other facilities associated with the Project Facilities for which ARWA is responsible on a timely basis that coincides with the timeline for completion of construction. ARWA may request that GBRA secure certain real property interests for transmission facilities on ARWA’s behalf.

(d) Contract Awards and Change Orders. ARWA will award the construction contracts and will work with GBRA to provide all necessary documentation to have the TWDB funding released for the construction projects. ARWA will provide change orders to the construction contract(s) to the Project Advisory Committee for review and comment, and will consider the committee’s input before approving any change orders.

(e) Inspection Services. GBRA’s inspectors shall provide timely input to ARWA on some or all of the Project Facilities but ARWA is not bound by this input.
(f) **Support for Contract Enforcement.** For all of the engineering contracts and construction contracts required to design and construct the Project Facilities, GBRA may contribute financial or other resources in support of ARWA’s enforcement of the contracts.

(g) **Status Reports:** ARWA will make monthly construction status reports to GBRA and the Project Advisory Committee.

(h) **Completion of Project Facilities:** By June 1, 2023, ARWA will use its best efforts to substantially complete those portions of the Project Facilities required to supply treated water at the GBRA Points of Delivery at GBRA’s Maximum Instantaneous Treated Water Delivery Rate. ARWA shall provide GBRA with written notice of the substantial completion of the Project Facilities required to deliver treated water at the GBRA Points of Delivery.

**ARTICLE IV**

**PROJECT FINANCING**

4.1 **Allocation of Costs of Project.**

(a) Each Party shall pay one-half of the costs of design of the Project Facilities (including, without limitation, the costs of engineering, environmental, surveying, geotechnical and related services) and one-half of the costs of acquisition of all Project Property interests required for the Project Facilities, including the costs of land/easement acquisition, fees for land acquisition agents, appraisal, surveying, title insurance and legal services, and any related court costs.

(b) GBRA shall pay its proportionate share of the costs to construct the Project Facilities. GBRA’s proportionate share of the costs shall be equal to “GBRA’s Percentage of Capacity,” which is calculated by dividing the “GBRA Capacity” by the “Total Capacity” figures indicated in Exhibit C. Upon completion of the final plans and specifications of the Project Facilities, the Parties shall revise Exhibit C to identify the capacity of each of the infrastructure components of the Project Facilities so as to be consistent with the capacities described by the final plans and specifications (“Revised Exhibit C”). After the completion of the construction of the Project Facilities, the Parties shall reexamine the final capacities of each infrastructure component as built. If any of the final capacities of any of the infrastructure components are greater or less than the capacities described under the heading “Total Capacity” in the Revised Exhibit C by more than 10% (ten percent), the Parties shall revise the Revised Exhibit C to identify the final as-built total capacities of each infrastructure component of the Project Facilities (“Second Revised Exhibit C”). The Second Revised Exhibit C shall be substituted for the Revised Exhibit C attached to this Agreement and incorporated into this Agreement for all purposes. If, after the completion of the construction of the Project Facilities required to serve GBRA, GBRA’s Percentage of Capacity decreases by more than 10% (ten percent), ARWA shall refund the difference between the amount GBRA paid up to that point, and the amount GBRA should have paid based on GBRA’s Percentage of Capacity as it was revised.

(c) Upon ARWA’s award and execution of each construction contract and the release of bond proceeds by the Texas Water Development Board (“TWDB”) for each associated
construction contract, GBRA will remit its TWDB funding to ARWA to be held in a dedicated account for the construction projects for which ARWA is the lead. If ARWA agrees to allow GBRA to take the lead on designing or constructing, or both, any of the Project Facilities, ARWA will remit its TWDB funding to GBRA to be held in a dedicated account for the construction projects for which GBRA is the lead.

(d) ARWA will submit invoices to GBRA assessing GBRA its proportionate share of the costs to acquire the real property interests required for the Project, and for the costs of planning and designing the Project Facilities as ARWA receives invoices from its consultant(s) and contractor(s). The invoice shall be due and payable within 20 (twenty) calendar days after the date of the invoice. GBRA shall pay those invoices to ARWA at ARWA’s office in San Marcos, Texas, or at such other place as ARWA may from time to time designate by 60 (sixty) calendar days’ written notice.

4.2 ARWA and GBRA Bonds. Each Party expressly acknowledges, agrees, and warrants that it will take no action to adversely affect the tax-exempt status of the tax-exempt bonds or other obligations of the other Party hereto.

ARTICLE V
PROJECT FACILITIES EXPANSION AND ADDITIONAL FACILITIES IN PROJECT PROPERTY

5.1 ARWA Phased Construction. The Project Facilities will be constructed to meet the full capacity requirements of GBRA. With respect to ARWA’s capacity, ARWA intends to construct the water treatment plant portion of the Project Facilities in phases to reach the ultimate Total Capacity described in Exhibit C. As ARWA expands the water treatment plant portion of the Project Facilities to the Total Capacity, ARWA shall comply with all relevant provisions of Article III relating to the review and comment by the Project Advisory Committee.

5.2 Project Facilities Expansion by GBRA. Any expansion of Project Facilities by GBRA or adjustment in GBRA’s capacity in the Project Facilities is subject to approval by ARWA and requires a written amendment to this Agreement.

5.3 Additional Facilities in Project Property. Separate from ARWA’s additional pipeline addressed in Section 2.1, ARWA plans to and may locate facilities in the Project Property that are not Project Facilities. Before ARWA designs any final plans and specification for these facilities to be located in the Project Property that are not Project Facilities, ARWA shall coordinate with GBRA regarding the placement of these facilities, how the facilities may interconnect with Project Facilities, and the timing of construction of these facilities to ensure that these facilities do not interfere with the Project Facilities or GBRA’s Separate Facilities. ARWA shall develop a coordination plan and submit that plan to the Project Advisory Committee for review and comment. The Project Advisory Committee may provide comments within 15 (fifteen) calendar days after receiving the coordination plan. ARWA shall consider the comments from the Project Advisory Committee when constructing the facilities. Separate from GBRA’s additional pipeline addressed in Section 2.1 and GBRA’s Separate Facilities, an amendment to this Agreement is
required to authorize GBRA to locate facilities in the Project Property that are not Project Facilities.

ARTICLE VI
WATER TREATMENT AND DELIVERY SERVICES

6.1 Project Facilities Operation and Maintenance.

(a) ARWA shall be responsible for the operation and maintenance of the Project Facilities pursuant to the terms and conditions of this Agreement.

(b) ARWA shall select one or more operators for the Project Facilities after a competitive procurement process and consideration of any Project Advisory Committee recommendations. ARWA and GBRA each may submit a proposal to serve as operator of the Project Facilities. ARWA will review the operator’s performance at least once every five (5) years, but may review the operator’s performance more frequently in ARWA’s sole discretion. ARWA may terminate an operator in its sole discretion. ARWA may select another operator using the same procedure as the original selection. ARWA may hire a consultant to provide start-up services for the Project Facilities.

6.2 Cooperation. After substantial completion of the Project Facilities, ARWA and GBRA agree to make their respective employees available for consultation and available for periodic and special meetings as may be necessary for the convenient and proper operation of the water treatment plant and each Party’s respective well fields and associated infrastructure. ARWA and GBRA shall each designate in writing to the other a designated contact person (the “Designated Contact”) who shall be the initial point of contact for all routine operational issues arising under this Agreement. The Designated Contacts shall meet as needed to review operations and address issues of concern, although the Designated Contacts shall not have the authority to amend or waive the requirements of this Agreement. The Designated Contacts may be members of the Project Advisory Committee.

6.3 Delivery of Groundwater to the Project Facilities and Delivery of Treated Water to the GBRA Delivery Points.

(a) At least 30 (thirty) calendar days prior to GBRA beginning to deliver water from GBRA’s Water Supply to the Project Facilities, GBRA shall provide ARWA with written notice of GBRA’s intent to have ARWA begin treating water from GBRA’s Water Supply and delivering it to the GBRA Points of Delivery. Such notice shall not be provided before ARWA provides notice to GBRA pursuant to Section 3.3(h) of completion of the Project Facilities.

(b) After providing the notice required by Section 6.3(a), GBRA shall deliver water from GBRA’s Water Supply to the Project Facilities. The amount of water delivered by GBRA shall be sufficient to meet the demands of GBRA’s customers and cover any System Losses. GBRA shall coordinate with the operator of the Project Facilities regarding the deliveries.
(c) GBRA shall not deliver water from GBRA’s Water Supply to the Project Facilities at a rate and in an amount that exceeds GBRA’s Annual Maximum Raw Water Delivery Rate or GBRA’s Maximum Instantaneous Raw Water Delivery Rate. GBRA shall not deliver water from any source of supply other than the Carrizo Aquifer to the Project Facilities. ARWA shall treat water from GBRA’s Water Supply and deliver treated water to the GBRA Points of Delivery at a rate and in an amount that shall not exceed GBRA’s Annual Maximum Treated Water Delivery Rate or GBRA’s Maximum Instantaneous Treated Water Delivery Rate. Consistent with the commitments in this section, ARWA will not treat and deliver water from ARWA’s Water Supply to the Project Facilities at a rate and in an amount or operate the Project Facilities in a manner that conflicts with GBRA’s Annual Maximum Raw Water Delivery Rate, GBRA’s Annual Maximum Treated Water Delivery Rate, GBRA’s Maximum Instantaneous Raw Water Delivery Rate or GBRA’s Maximum Instantaneous Treated Water Delivery Rate, nor will ARWA exceed ARWA’s Annual Maximum Raw Water Delivery Rate or ARWA’s Annual Maximum Treated Water Delivery Rate.

6.4 Rates for Water Treatment and Delivery Services.

(a) The rates for water treatment and delivery services shall include (1) a monthly fixed rate and (2) a rate per 1000 gallons of water, each as determined by the ARWA Board of Directors to then be in effect for the treatment and delivery of water from GBRA’s Water Supply through the Project Facilities. The ARWA Board of Directors at any time and from time to time may change the rates for water treatment and delivery services. The rates for water treatment and delivery services shall be sufficient to cover the operation, maintenance, and administrative expenses of the Project Facilities, and set in accordance with accepted rate-making practices. The monthly fixed rate shall include costs that do not significantly vary based on flow rate; these include, but are not limited to, salaries, overhead, testing, and electrical service. Except as provided by subsection (c) and (d) of this Section, the monthly fixed rate may also include debt service on debt instruments that ARWA may issue from time to time to repair, improve, and upgrade the Project Facilities. The debt service amount to be charged to GBRA during each fiscal year shall be equal to the portion of the debt service requirement that is allocated to GBRA as provided in this section. The rates for water treatment and delivery services charged to GBRA to recover GBRA’s proportionate share of ARWA’s operation and maintenance of the Project Facilities and GBRA’s proportionate share of the allocated debt service shall be set by ARWA in accordance with accepted rate-making practices.

(b) The charges for water treatment and delivery services per month shall be calculated by adding the monthly fixed rate to the charge calculated by multiplying the amount of treated water delivered by ARWA to the GBRA Points of Delivery, as measured by the water meters described in Section 6.12 below, by the then-current per 1,000 gallon rate for water treatment and delivery services.

(c) Rates for water treatment and delivery services shall not include debt service or debt service coverage on any bonds issued by ARWA for the construction of the initial phase of the Project Facilities, or any bonds issued by ARWA to acquire land or interests in land used solely for the production of groundwater or the capital outlays or royalty payments related thereto, for the design and construction of additional phases of the Project Facilities to bring those facilities to
the Total Capacity, or for the design and construction of facilities used to produce and deliver water from ARWA’s Water Supply to the water treatment plant.

(d) At least 90 (ninety) days before ARWA adopts any resolution to issue any debt to repair, improve, or upgrade the Project Facilities as provided by subsection (a) of this section, ARWA shall provide notice to GBRA of ARWA’s intent to issue debt, and shall provide to GBRA information regarding the improvements the proceeds from the issuance of debt will fund and the terms and conditions of the debt instruments. At GBRA’s election, GBRA may “cash fund” its respective share or issue its own debt, as that amount is jointly determined by GBRA and ARWA, of any repair, improvement, or upgrade to the Project Facilities, and that, in such case, GBRA shall not be responsible for any debt services charges associated with GBRA’s proportionate share of the repair, improvement, or upgrade to the Project Facilities.

(e) The assessment of the charges for water treatment and delivery services shall commence the month that ARWA begins to deliver treated water through the Project Facilities to the GBRA Points of Delivery.

6.5 Notice of Rate Change. If ARWA desires to adjust the rates for water treatment and delivery services, it shall, at least 90 (ninety) calendar days before the first day on which such adjustment is to become effective, give written notice to GBRA; however, the failure to provide such notice shall not invalidate the adjusted charge or rate.

6.6 Billing and Payment. ARWA will render bills to GBRA once each month for the payments required by this Agreement. Any prepayments shall be shown on the bill as a credit. ARWA shall, until further notice, render such bills on or before the 10th calendar day of each month and such bills shall be due and payable at ARWA’s office indicated below by the 20th calendar day of each month or 15 (fifteen) calendar days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to GBRA, whichever is later. ARWA may, however, by 60 (sixty) calendar days’ written notice, change the monthly date by which it shall render bills, and all bills shall thereafter be due and payable 10 (ten) calendar days after such date or 15 (fifteen) calendar days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to GBRA, whichever is later. GBRA shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to ARWA at its office in San Marcos, Texas, or at such other place as ARWA may from time to time designate by 60 (sixty) calendar days’ written notice.

6.7 Source of Payments. The Parties agree and GBRA represents and covenants that all moneys required to be paid by GBRA under this Agreement shall constitute reasonable and necessary operating expenses of GBRA’s Gonzales Carrizo Water Supply Project, as authorized by the Constitution and the laws of the State of Texas. All payments required to be made by GBRA to ARWA under this Agreement shall be payable from income from GBRA’s customers purchasing water associated with the Project and proceeds from GBRA’s issuance of debt associated with the Project. ARWA shall never have the right to demand payment by GBRA of any obligations assumed by or imposed upon it under or by virtue of this Agreement from funds raised or to be raised by taxation and GBRA’s obligation under this Agreement shall never be construed to be a
debt of GBRA of such kind as to require it under the Constitution and the laws of the State of Texas to levy and collect a tax to discharge such obligation.

6.8 Payments Unconditional. So long as any part of such debt instruments issued by either GBRA or ARWA for the Project are outstanding and unpaid, neither Party shall have a right to terminate this Agreement, it being the intention of the Parties that, so long as any portion of such debt instruments are outstanding and unpaid, all sums required to be paid by GBRA to ARWA shall continue to be payable in all events and the obligations of both Parties hereunder shall continue unaffected, unless those obligations reduced or terminated pursuant to an express provision of this Agreement. It is specifically provided, however, that this Section shall not prevent GBRA from exercising any rights related to breach of this Agreement by ARWA.

6.9 Covenant to Maintain Sufficient Income. GBRA agrees to fix and maintain rates and collect charges for the facilities and services provided by GBRA’s Gonzales Carrizo Water Supply Project as will be adequate to permit GBRA to make prompt payment of all expenses of operating and maintaining GBRA’s Gonzales Carrizo Water Supply Project, including payments under this Agreement from revenues associated with the Project, and to make prompt payment of the interest on and principal of any debt instruments of GBRA payable, in whole or in part, from the revenues of GBRA’s Gonzales Carrizo Water Supply Project. GBRA further agrees to comply with all of the provisions of the ordinances, resolutions, orders or indentures authorizing its debt instruments which are payable, in whole or in part, from the revenues of GBRA’s Gonzales Carrizo Water Supply Project.

6.10 Continuing Disclosure Agreement. If 17 C.F.R. § 240.15c2-12 (“Municipal Securities Disclosure Rule”), as that rule may be amended from time to time by the Securities and Exchange Commission, requires an initial purchaser of bonds issued by GBRA or ARWA to obtain a “Continuing Disclosure Agreement” from the other Party to fulfill such purchaser’s obligations under the Municipal Securities Disclosure Rule, the Parties agree to execute a Continuing Disclosure Agreement. The form of such Continuing Disclosure Agreement shall be approved by each Party’s bond counsel in order to comply with the then-current requirements of the Municipal Securities Disclosure Rule. Similarly, if the Municipal Securities Disclosure Rule does not technically apply to the initial purchaser of a series of bonds issued by GBRA or ARWA but such initial purchaser otherwise requires the Party to provide continuing disclosure from the other Party, the Parties agree to execute an agreement detailing the continuing disclosure information to be provided by the other Party. The form of such agreement shall be approved by Party’s bond counsel in order to comply with the requirements of such initial purchaser.

6.11 Delinquency of Payment. All amounts due and owing to ARWA by GBRA shall be billed and paid monthly, and if not paid when due, bear interest at the same rate as the post-judgment interest rate as set out in Section 304.003(c), Texas Finance Code, or any successor statute from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as otherwise permitted by law. If any amount due and owing by GBRA is placed with an attorney for collection by ARWA and ARWA prevails, then GBRA shall pay to ARWA, in addition to all other payments provided for by this Agreement, including interest, ARWA’s reasonable collection expenses, including court costs and attorney’s fees. GBRA further agrees that ARWA may, at its option, discontinue delivering treated water until all amounts due and
unpaid are paid in full with interest as herein specified. GBRA agrees that ARWA may, at its option, terminate this Agreement for GBRA’s failure to pay due and unpaid amounts, and, notwithstanding anything to the contrary in Section 6.8, if ARWA terminates this agreement for default in payments, the unconditional obligation to make the future payments shall terminate except that GBRA shall continue to be obligated to make payments for amounts due and unpaid at the time of termination and the outstanding amount(s) of GBRA’s portion of all bonds issued pursuant to Section 6.4(d), which shall survive the termination of the Agreement. Notwithstanding anything in this Agreement to the contrary, the Parties agree that GBRA’s default under this Section 6.11 shall not result in termination of this Agreement until 30 (thirty) calendar days after the date that GBRA receives written notice from ARWA specifying the default and the requirements to cure the same.

6.12 Measuring Equipment.

(a) Water Meters. ARWA shall furnish and install meters or other equipment and devices at the GBRA Points of Delivery to measure quantity of water delivered under this Agreement (each, a “Water Meter” and collectively, the “Water Meters”). The Water Meters shall remain the property of ARWA. ARWA shall operate and maintain the Water Meters in good operating condition. ARWA shall provide GBRA with written notice at least 10 (ten) calendar days in advance of any scheduled replacement of an existing Water Meter. In the event of an emergency where an existing meter is failing, the notice may be reduced. The written notice will include a description of the new Water Meter that will be installed.

(b) Meter Reading. The reading, calibration and adjustment of the meters described in this Section shall be done only by the employees or agents of ARWA. The results of each reading of each Water Meter shall be recorded in a journal or other record book maintained in ARWA’s office and representatives of GBRA may inspect the same at any time during reasonable business hours.

(c) Meter Calibration. ARWA will calibrate the Water Meters at least annually. ARWA shall give GBRA reasonable notice of the date and time when any such calibration shall occur, and at the request of GBRA, conduct the calibration in the presence of GBRA. In addition to the annual calibration, GBRA shall have the right to request that ARWA calibrate a Water Meter not more than one additional time each year, in the presence of a representative of GBRA. If, upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of five percent (5%), the registration thereof shall be corrected, and accounts adjusted, for a period extending back to the time when such inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If, for any reason, a Water Meter is out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the Water Meter that is out of service or out of repair shall be estimated and agreed upon by the Parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (a) by correcting the error if the percentage of the error is ascertainable by calibration tests or
mathematical calculation, or (b) by estimating the quantity of water delivered by deliveries during the preceding period under similar conditions when the Water Meter was registering accurately.

6.13 Title to and Responsibility for Water. Each Party shall hold title to each Party’s respective water supply at all times until title may be passed pursuant to their agreements with their respective customers or sponsors. Each Party recognizes and agrees that its respective water supply will be commingled with the other Party’s water supply within the Project Facilities. The volume of water owned by each Party while it is located within the Project Facilities is the amount delivered to the Project Facility less System Losses. After GBRA delivers water from GBRA’s Water Supply to ARWA for treatment and delivery, ARWA shall be responsible for the water from the water treatment plant point of delivery to the GBRA Points of Delivery, but shall not have title to water from GBRA’s Water Supply. To the extent allowed by law, ARWA and GBRA hereby agree to save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the storage, delivery, treatment, processing and handling of such water while title to or responsibility for the water remains in the other Party. Notwithstanding GBRA’s ownership of water as described in this Section, GBRA does not have a right to intercept, use, or access water that GBRA owns while that water is located within the Project Facilities.

ARTICLE VII
TERM AND TERMINATION

7.1 Term.

(a) This Agreement shall be effective as of the Effective Date, and shall be in force and effect until the latter of 11:59 p.m. Central time on December 31, 2058, or as it may be extended pursuant to subsection (b) and (c) below (“Termination Date”).

(b) Unless written notice to terminate this Agreement is provided by either Party to the other Party at least three (3) years before the Termination Date, this Agreement shall automatically renew for an additional 10 (ten) year period. Unless notice is provided as described in this subsection (b), this Agreement will automatically renew for perpetual successive renewal periods of 10 (ten) years.

(c) Notwithstanding subsections (a) and (b) of this Section, if all the Project Debt Instruments (including principal and interest) will not be fully paid by the Termination Date then the Termination Date shall be extended to December 31 of the year in which the Project Debt Instruments are to be paid. Any extension by ARWA or GBRA pursuant to this subsection shall be effective as of the date that the Party extending this Agreement gives the other Party written notice of the extension.

7.2 Rights after Termination. Except as specifically provided otherwise in this Agreement, all of the rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement, except that such termination shall not affect any rights or liabilities accrued prior to such termination, including the ownership interests acquired by Parties in the Project Facilities and Project Property and ARWA’s obligations provided by Section 2.3.
7.3 **Survival.** The terms and conditions of Sections 2.1, 2.2, and 2.3 shall survive the termination of this Agreement.

**ARTICLE VIII**
**OTHER PROVISIONS**

8.1 **Regulatory Requirements.** This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction.

8.2 **Remedies.**

(a) In the event of any alleged breach of this Agreement by either of the Parties, the Party claiming breach shall give the other Party thirty (30) calendar day’s written notice, after which, if the alleged breach has not been cured, the Party claiming breach may pursue any and all legal and equitable remedies in court. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default by either Party, but all such other remedies existing at law or in equity shall be cumulative including, without limitation, specific performance may be availed of by either Party. The prevailing Party shall be entitled to any reasonable attorney’s fees, court costs or other expenses incurred in bringing or defending any suit alleging such default or claim.

(b) Given the express representation and acknowledgement by the Parties that the ownership interests of each Party in Project Facilities, in the Project Property, and in the capacity of the Project Facilities, and the allowance for each Party to construct, operate and maintain one additional pipeline in the Project Property subsequent to construction of the Project Facilities, all as specified herein, are at the core of this Agreement and this Agreement would not have been entered into without those ownership interests carefully specified herein, each Party agrees, to the fullest extent allowed by law, to waive any right it may assert to file or pursue an eminent domain action or claim that could alter the nature or extent of the ownership interests of either Party in the Project Facilities, in the Project Property, or in the capacity of the Project Facilities, or in the allowance for each Party to construct, operate and maintain one additional pipeline in the Project Property subsequent to construction of the Project Facilities.

(c) Each Party shall refrain from suing the other Party under the Public Security Declaratory Judgment Act, Chapter 1205 of the Texas Government Code, as it may be amended, or any successor statute, to litigate a matter involving this Agreement that could otherwise be brought under an alternative theory or claim, including but not limited to an action for damages, condemnation, trespass to try title, or equitable relief, including but not limited to injunctive relief or specific performance. If an action is brought under the Public Security Declaratory Judgment Act, the Parties agree to establish the following procedural deadlines in the action: (1) the Original Answer must be filed within 21 (twenty-one) calendar days of service of the Original Petition; (2) discovery must be concluded within four months of the filing of the Original Answer; and (3) a hearing on a dispositive motion or trial, or both, shall be set no earlier than six months after the filing of the Original Answer. Each Party agrees to instruct its respective attorney to enter an
agreement memorializing these procedural deadlines pursuant to Texas Rule of Civil Procedure 11 or a similar successor rule.

8.3 Actual Damages. No Party shall be liable or have any responsibility to the other for any indirect, special, consequential, punitive or delay-related or performance-related damages including, without limitation, lost earnings or profits. Such limitation on liability shall apply to any claim or action, whether it is based on whole or in part on agreement, negligence, strict liability, tort, statute or other theory of liability.

8.4 Assignability. Neither Party may assign its rights or obligations under this Agreement without first obtaining the written consent of the other Party, which consent shall not be unreasonably withheld or delayed.

8.5 Entire Agreement. This Agreement constitutes the entire agreement between the Parties, and supersedes any prior understanding or oral or written agreements between the Parties respecting the subject matter of this Agreement.

8.6 No Third-Party Beneficiaries. This Agreement does not create any third-party benefits to any person or entity other than the signatories hereto and their authorized successors in interest, and is solely for the consideration herein expressed.

8.7 Due Authorization and Binding Obligation. This Agreement has been duly authorized, executed and delivered by all necessary action of the Parties. This Agreement, and the terms, covenants, and conditions herein contained, shall inure to the benefit of and be binding upon the heirs, personal representatives, successors, and assigns of each of the Parties hereto.

8.8 Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, administrative rule, regulation or finding, rule of public policy, or for any other reason, this Agreement shall remain in effect and be construed as if the invalid, inoperative, or unenforceable provision had never been in the Agreement, and such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

8.9 Waiver and Amendment. Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by either Party shall not be deemed a waiver by the other Party of the right in the future to demand strict compliance and performance of any provision of this Agreement. No officer or agent of GBRA is authorized to waive or modify any provision of this Agreement. No officer or agent of ARWA is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by all Parties’ authorized representatives.

8.10 Force Majeure. If for any reason of force majeure, either Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, then that Party shall give notice of the
reasons in writing to the other Party within a reasonable time after the occurrence of the force
majeure event. The obligation of the Party giving the notice, so far as it is affected by the force
majeure, shall be suspended during the continuance of the inability then claimed, but for no longer
period. The term “force majeure” as used in this Agreement shall mean acts of God, strikes,
lockouts, or other industrial disturbances, acts of public enemy, order or actions of any kind of
government of the United States or the State of Texas, or any civil or military authority,
insurrection, riots, epidemics, landslides, lighting, earthquakes, fires, hurricanes, storms, floods,
washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions,
breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire
failure of water supply including pollution (accidental or intentional), and any other cause not
reasonably within the control of GBRA or ARWA.

8.11 Captions. The sections and captions contained herein are for convenience and reference
only and are not intended to define, extend or limit any provision of this Agreement.

8.12 Necessary Documents and Actions. Each Party agrees to execute and deliver all such other
and further instruments and undertake such actions as are or may become necessary or convenient
to effectuate the purposes and intent of this Agreement.

8.13 Applicable Law and Venue. This Agreement shall be construed and enforced in
accordance with the laws of the State of Texas. The obligations contained within this Agreement
are performable in Hays County, Comal County, or Guadalupe County, Texas. Any action in law
or equity brought to enforce or interpret any provision of this Agreement shall be brought in a
court of competent jurisdiction with venue in Hays County, Comal County, or Guadalupe County,
Texas.

8.14 Negotiation by Counsel. The Parties acknowledge that each Party and its legal counsel
have reviewed and revised this Agreement, and agree that the normal rule of construction to the
effect that any ambiguities are to be resolved against the drafting Party shall not be employed in
the interpretation of this Agreement or any amendments or exhibits hereto.

8.15 Counterparts and Electronically Transmitted Documents. This Agreement may be
executed in one or more counterparts, each of which shall for all purposes be deemed to be an
original and all of which shall constitute the same instrument. In making proof of this Agreement,
it shall not be necessary to produce or account for more than one such counterpart. A telecopied
or emailed electronically transmitted facsimile of an executed counterpart of this Agreement shall
be sufficient to evidence the binding agreement of each Party to the terms hereof. However, each
Party agrees to promptly deliver to the other Party an original, duly executed counterpart of this
Agreement.

8.16 Legal Construction. Whenever context requires, the singular will include the plural and
neuter include the masculine or feminine gender, and vice versa.

8.17 Notices. Any notice or payment required or permitted hereunder shall be in writing and
shall be deemed to be delivered on the date received if delivered by hand to the address shown
hereinafter for ARWA or GBRA, as appropriate, or such notice shall, if deposited in the mail, be
conclusively deemed to be delivered on the third business day after having been deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to ARWA or GBRA, as appropriate, at the address shown hereinafter. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the Parties shall be as follows:

For GBRA:

Guadalupe-Blanco River Authority  
Attention: General Manager  
933 E. Court Street  
Seguin, Texas 78155

For ARWA:

Alliance Regional Water Authority  
Attention: Executive Director  
630 E. Hopkins Street  
San Marcos, Texas 78666

The Parties hereto shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the State of Texas by at least five (5) business days’ written notice to the other Party.

8.18 Business Days. In the event that any date or any period provided for in this Agreement shall end on a Saturday, Sunday or legal holiday observed by either Party, the applicable period shall be extended to the first business day following such Saturday, Sunday or legal holiday.

8.19 Contract for Goods and Services. Under this Agreement, GBRA and ARWA agree that the mutual commitments to provide water, water treatment services, and funding for utility system improvements constitute an agreement by each Party for providing the other Party with goods and services, as those terms are defined by Texas Local Government Code §§ 271.151-271.160, and that this Agreement is subject to Chapter 271, Subchapter I of the Texas Local Government Code.

8.20 Waiver of Immunity. To the fullest extent allowed by law, each Party hereby waives its immunity from liability and from suit on any matter involving this Agreement.

8.21 Authority. The Parties each represent and warrant that they have all the requisite power and authority to enter into this Agreement and to perform all of their respective obligations hereunder, and that each signatory below is duly authorized by their respective governing board.
EXECTED IN DUPLICATE ORIGINALS by the following representatives:

ALLIANCE REGIONAL WATER AUTHORITY

By: Christopher Betz, Chairman
Date: 6/27/2018

ATTTEST:

STATE OF TEXAS

COUNTY OF HAYS

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Christopher Betz, Chairman of the Board of Directors of the ALLIANCE REGIONAL WATER AUTHORITY, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the ALLIANCE REGIONAL WATER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such entity for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 27th day of JUNE, 2018.

Notary Public
The State of Texas

Notary Seal
My Notary ID # 696463
Expires September 16, 2021
GUADALUPE-BLANCO RIVER AUTHORITY

By:  

Kevin Patteson, General Manager and CEO

Date:  6/27/18

ATTEST:

[Signature]

STATE OF TEXAS

COUNTY OF GUADALUPE

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Kevin Patteson, General Manager and CEO of the GUADALUPE-BLANCO RIVER AUTHORITY, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such entity for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 27th day of JUNE, 2018.

[Signature]

Notary Public
The State of Texas

[Notary Seal]

Notary Seal
&
I.D. No.

CHRISTINA M. TUREAUD
My Notary ID #698483
Expires September 16, 2021
Exhibit A-1 – ARWA Points of Delivery and GBRA Points of Delivery
Exhibit A-2 – Infrastructure Known to be Required for the Project Facilities
EXHIBIT A-2 "INFRASTRUCTURE KNOWN TO BE REQUIRED FOR THE PROJECT FACILITIES"

Legend
- Orange Circle: Booster Pump Station
- Green Triangle: Delivery Point
- Blue Circle: WTP, Well, Civil/Elec/Mech, HSPS

Phase 1B Pipeline
- Dashed Line: ARWA Only
- Solid Red Line: ARWA-GBRA

Roadways
- Gray: Cities
- White: Counties

Note: Pipe sizes, alignments, and delivery locations are preliminary in nature and will be finalized during final engineering design.

Total Estimated Project Cost = $236 Million
Exhibit B-1 – Cross-Section Identifying Pipeline Facilities
NOTE: PIPE SIZE(S), EASEMENT WIDTH(S), AND PIPELINE ASSIGNMENTS WILL BE DETERMINED DURING FINAL DESIGN. THIS EXHIBIT IS INTENDED ONLY TO REPRESENT THE GENERAL RELATIONSHIP BETWEEN THE ANTICIPATED PIPELINES AND THE EASEMENT.
Exhibit B-2 – Minimum Elements of Easement Agreement

Each water pipeline easement will include the following elements at a minimum, in addition to others that may be negotiated by the parties to the easement:

1. **Exclusive Easement for Multiple Water Pipelines.** The exclusive easement will grant the right to construct, maintain and operate three (3) water pipelines.

2. **Access Rights.** The easement will provide an express right of access for ingress and egress across the full width of the easement area to all facilities within the easement.

3. **Term of Easement.** The term of the easement will be perpetual.

4. **Temporary Construction Easement (if necessary).** In areas where needed, the easement will include temporary easement rights to an additional area during the period of construction.

5. **Assignment.** The easement will allow for ARWA to assign GBRA’s portion of the Easement to GBRA without the prior consent of the landowner.

6. **Successors and Assigns.** The easement will run with, bind and benefit the Property and inure to be benefit of Grantee and its successors or assigns.

7. **Amendment.** Amendments to the easement will require the prior written consent of Grantor and Grantee.

8. **Severability.** The easement will allow for severability of provisions found to be invalid.

9. **Governing Law.** The easement will provide that it is governed by the laws of the State of Texas.

10. **Consent and Subordination by Lender.** If the parent tract of land is subject to lien, the easement will be accompanied by a consent of the lender/lienholder to the granting of the easement and to the subordination of the lien to the easement.
Exhibit B-3 – Minimum Elements for Partial Assignment of Easements by ARWA to GBRA

The partial assignment of easements by ARWA to GBRA will include the following elements at a minimum, in addition to others that may be negotiated by the parties:

1. **Easement for One Water Pipeline.** The easement will grant the right to construct, maintain and operate one (1) water pipeline.

2. **Access Rights.** The easement will provide an express right of access for ingress and egress by both parties across the full width of both ARWA’s retained easement area and the easement area assigned to GBRA, for access to all facilities within either easement area.

3. **Term of Assigned Easement.** The term of the assigned easement will be perpetual.

4. **Temporary Construction Easement (if necessary).** In areas where needed, the assigned easement will include temporary easement rights to an additional area during the period of construction.

5. **Successors and Assigns.** The assigned easement will run with the title to the assigned easement area and inure to be benefit of ARWA and its successors or assigns.

6. **Amendment.** Amendments to the assigned easement will require the prior written consent of the ARWA and GBRA.

7. **Severability.** The assigned easement will allow for severability of provisions found to be invalid.

8. **Governing Law.** The assigned easement will provide that it is governed by the laws of the State of Texas.
## Exhibit C – Project Facilities Capacity by Infrastructure Component

<table>
<thead>
<tr>
<th>Infrastructure Component</th>
<th>Limits</th>
<th>GBRA Capacity (ac-ft/yr)</th>
<th>Total Capacity (ac-ft/yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Treatment Plant (WTP)</td>
<td></td>
<td>15,000</td>
<td>37,500</td>
</tr>
<tr>
<td>Booster Pump Station (BPS)</td>
<td></td>
<td>12,000</td>
<td>34,500</td>
</tr>
<tr>
<td>Pipeline Segment 1</td>
<td>WTP to Lockhart</td>
<td>15,000</td>
<td>37,500</td>
</tr>
<tr>
<td>Pipeline Segment 2</td>
<td>Lockhart to BPS</td>
<td>12,000</td>
<td>34,500</td>
</tr>
<tr>
<td>Pipeline Segment 3</td>
<td>BPS to San Marcos WTP</td>
<td>4,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Pipeline Segment 4</td>
<td>BPS to New Braunfels</td>
<td>8,000</td>
<td>24,500</td>
</tr>
</tbody>
</table>