

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Agreement”) is entered into as of the ___ day of _____, 20__ by and between Gulf Coast Water Authority, a political subdivision of the State of Texas (the “Authority”), and the City of Texas City, Texas (the “Undersigned Customer”).

RECITALS

The Authority is in process of issuing its \$_____ in Water System Contract Revenue Refunding Bonds (City of Texas City Project), Series 2011 (the “Series 2011 Bonds”), the proceeds of which will be used to refund all or a portion of the Authority’s Outstanding Water System Contract Revenue Bonds (City of Texas City Project) Series 1998C (the “Series 1998C Bonds”) and pay costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds shall be issued pursuant to the terms and conditions of the Water Facilities Financing Agreement, between the Authority and the Undersigned Customer, as amended from time to time (the “Texas City Contract”).

The Authority is authorized to issue additional bonds (“Additional Bonds”) and refunding bonds (“Refunding Bonds”) as authorized by the resolution authorizing the issuance of the Series 1998C Bonds (the “Series 1998C Bond Resolution”) and the resolution authorizing the issuance of the Series 2011 Bonds (the “Series 2011 Bond Resolution” and collectively with the Series 1998C Bond Resolution, the “Bond Resolutions”) and the Texas City Contract.

In connection with the sale of the Series 2011 Bonds and any Additional Bonds or Refunding Bonds (collectively, the “Bonds”), the Authority 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 must comply with the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 (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 Undersigned Customer is providing all information pertinent to itself which will be included in the final official statement for the Series 2011 Bonds that is required to present fairly all material investment risks.

In order to assist the Authority in complying with the Rule and 17 C.F.R. 240.10b-5, the Undersigned Customer agrees to provide such information to the Authority pursuant to the terms set forth below.

AGREEMENT

Now, Therefore, in order to induce and enable the Authority to sell the Bonds, the Authority and the Undersigned Customer contract and agree as follows:

Section 1. Annual Information. The Undersigned Customer will provide to the Authority, at least 30 days before the date by which the Authority has contracted to provide annual information to the Municipal Securities Rulemaking Board (the “MSRB”), until automatic termination of this Agreement as provided in Section 9 hereof:

- a. All quantitative financial information and operating data with respect to the Undersigned Customer of the type included in the final official statement for the Bonds;
- b. All other information known to or in the possession of the Undersigned Customer which is necessary to prevent the information described in paragraph (a), or any other information provided with respect to the Undersigned Customer, from being materially misleading in the light of the circumstances in which such information is provided; and
- c. Upon written request of the Authority, any additional information as may be necessary to allow the Authority to comply with the Acts or the Rule.

If the Undersigned Customer’s fiscal year end differs from the Authority’s fiscal year end, the Undersigned Customer shall provide the most recent year-end annual information as well as cumulative current year to date information.

Section 2. Reporting of Material Events.

- a. Undersigned Customer agrees to provide or cause to be provided, in a timely manner (but not in excess of ten 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, if material under applicable federal securities laws (provided that any event under clauses (viii), (ix) or (xi) will always be deemed to be material):
 - (i) principal and interest payment delinquencies;
 - (ii) nonpayment related defaults, if material;
 - (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (v) substitution of credit or liquidity providers, or their failure to perform;
 - (vi) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds;
 - (vii) modifications to rights of the Registered Owners, if material;

- (viii) Bond calls, if material (other than mandatory sinking fund redemptions), and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of Undersigned Customer;
- (xiii) the consummation of a merger, consolidation, or acquisition involving Undersigned Customer or the sale of all or substantially all of the assets of Undersigned Customer, other than in the ordinary course of business, the entry into a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of the name of a trustee, if material.

Each filing made under this subsection shall be disseminated by transmission to MSRB through the Electronic Municipal Market Access ("*EMMA*") System at www.emma.msrb.org or any successor system that the MSRB may prescribe. Such filings will be in the format and will be accompanied by the identifying information prescribed by the MSRB.

Each material event notice shall be so captioned and shall prominently state the date, title and (to the extent less than all of the Bonds are affected by the related material event) CUSIP numbers of the Bonds.

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

- b. Undersigned Customer agrees to provide or cause to be provided, in a timely manner (but not in excess of seven business days after the occurrence of the event) to the Authority, notice of the occurrence of any of the following events:
 - (i) any financial event, fiscal crisis, natural disaster or other event or occurrence that could have the effect of preventing the Undersigned Customer from
 - (a) making timely payments pursuant to the Texas City Contract; or

- (b) lead to any of the following material events affecting the Undersigned Customer:
 - (1) principal and interest payment delinquencies on any material financing obligations;
 - (2) non-payment related default on any material financial obligations; or
 - (3) ratings changes.

Undersigned Customer will provide to the Authority, promptly on request, any other information known to or in the possession of the Undersigned Customer concerning such material events.

Section 3. Accuracy and Completeness. The Undersigned Customer warrants that all information provided by it to the Authority or the MSRB pursuant to this Agreement will be accurate in all material respects to the best of its knowledge and belief. The Undersigned Customer 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 Undersigned Customer pursuant to this Agreement. Information shall be audited if prepared in such form, or may be unaudited if audited information is not available. If the Authority thereafter has reasonable grounds to question the completeness or accuracy of such information, the Undersigned Customer will afford the Authority and its attorneys and agents reasonable access to any and all records, documents, contracts, and other information which is in the custody or control of the Undersigned Customer to confirm such accuracy and completeness. The Authority and its attorneys and agents shall maintain the confidentiality of all such information, unless required to be provided by the Authority to the MSRB, and except as otherwise provided by law. The Undersigned Customer shall not be required to provide information or to allow access to its records which exceeds the standards applicable to a due diligence inquiry in the preparation of an official statement in connection with the sale of Bonds, Additional Bonds or Refunding Bonds by the Authority.

Section 4. 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 5. Modification. This Agreement shall be subject to change or modification only with the mutual written consent of each of the Undersigned Customer and the Authority.

Section 6. Assignability. This Agreement shall not be assignable by the Undersigned Customer without the prior written consent of the Board of Directors of the Authority, which consent shall not be unreasonably withheld.

Section 7. Notice. All notices shall be in writing. All notices shall be deemed to be received three (3) days after deposit in the United States mail. All notices to the Authority shall be delivered to the following address and contact person:

Gulf Coast Water Authority
c/o General Manager
3630 Highway 1765
Texas City, Texas 77591

All notices to the Undersigned Customer shall be delivered to the address and contact person listed on the signature page.

Any party may designate a different address or contact person by giving the other parties ten (10) days written notice in the manner described above.

Section 8. Official Statement. The Authority is authorized to use information related to the Undersigned Customer in a Preliminary Official Statement and Final Official Statement relating to the Bonds.

Section 9. Automatic Termination of Agreement. This Agreement shall automatically terminate without further notice or condition upon the occurrence of any of the following events:

- a. The defeasance, prior redemption or payment in full of all of the Series 2011 Bonds, any Additional Bonds, and any Refunding Bonds; or
- b. The Customer no longer meet the criteria of obligated parties defined in the Rule, unless the requirements of disclosure have changed through amendment or interpretation of the Acts of the Rule.

Section 10. Remedies. In the event an Undersigned Customer fails or refuses to provide the information required by Sections 1 or 2 hereof, the Authority shall have all remedies provided by law or in equity to enforce the terms and conditions of this Agreement.

Section 11. No Third Party Beneficiary. This Agreement is intended for the benefit of the parties hereto and shall not confer any benefit on any third party.

[Signatures begin on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple copies, each of equal dignity, as of the date and year set forth on the first page hereof.

GULF COAST WATER AUTHORITY

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary-Treasurer, Board of Directors

(SEAL)

CITY OF TEXAS CITY, TEXAS

By: _____
Name: _____
Title: _____

ATTEST:

(SEAL)

All notices to City of Texas City, Texas shall be delivered to the following address and contact person:

City of Texas City, Texas
1801 9th Avenue North
P.O. Box 2608
Texas City, Texas 77592-2608
Attention: Mayor