

**Agreement Regarding an Option to Purchase Treated Wastewater Effluent
Between
Valero Refining - Texas, L.P. and City of Texas City**

This Agreement Regarding Treated Wastewater Effluent (the "Agreement") is made by and between The City of Texas City (the "City") and Valero Refining - Texas, L.P. ("Valero"). (Valero and the City may hereinafter be referred to as a "Party" or collectively as the "Parties".)

WHEREAS, Valero operates a petroleum refinery located in Texas City, Texas;

WHEREAS, the City has received authorization from the Texas Commission on Environmental Quality for the use and delivery of treated wastewater effluent;

WHEREAS, Valero would like the option to purchase treated wastewater effluent from the City.

NOW, THEREFORE, for and in consideration of mutual covenants herein contained, and other good and valuable consideration, it is agreed by and between the Parties as follows:

I. Option

- A. *Term and Fee.* For and in consideration of payment in the amount of One Hundred Twenty Five Thousand Dollars (\$125,000.00) (the "Option Fee") to be paid within thirty (30) days of the City's approval of this Agreement, the City will give Valero the non-exclusive option to purchase and take delivery of up to 4.3 million gallons per day (mgd) of treated wastewater effluent from the Wallace Knox Wastewater Treatment Plant (TCWWTP) during the term of this Agreement. The option to purchase shall start on the Effective Date and expire five (5) years from the Effective Date.

In the event Valero wishes to exercise its option to purchase and take delivery of up to 4.3 million gallons per day (mgd) of treated wastewater effluent from the TCWWTP it shall provide written notice to the City of the quantity, duration and price it is willing to pay for treated wastewater effluent from the TCWWTP. The City shall have thirty (30) days in which to accept, reject or counter the offer from Valero. At the point in time when an agreement has been reached between the parties regarding the treated wastewater effluent from the TCWWTP, the agreement shall be reduced to writing as set forth herein.

During the term of this Agreement, if the City receives a bona fide offer from any other party, the City shall before entering into any other agreement for the purchase of up to 4.3 mgd of treated wastewater effluent from the TCWWTP, first give Valero the option to purchase the treated wastewater effluent from TCWWTP under the same terms and conditions as offered by the third party.

Upon receipt of written notice from the City of any such offers to purchase the treated wastewater effluent from the TCWWTP from a third party, Valero shall have up to thirty

(30) days to exercise its option to purchase the treated wastewater effluent from the TCWWTP by giving written notice thereof to the City.

In the event Valero does not exercise its option to purchase the treated wastewater effluent from the TCWWTP by providing notice within thirty (30) days of the receipt of the notice from the City, the City shall be entitled to enter into an agreement with such third party for the purchase of the treated wastewater effluent from the TCWWTP. This Agreement shall become absolutely null and void and neither party hereto shall have any other liability, obligation or duty herein under or pursuant to this Agreement, in the event a third party wishes to purchase all of the 4.3 mgd. However, in the event a third party wishes to purchase less than the 4.3 mgd and Valero believes there is still enough supply to warrant continuing the Agreement, then this Agreement will continue in full force and effect until it expires. If Valero determines that there is not enough supply to warrant continuing the Agreement, Valero will provide written notice within sixty days of receipt of the City's notice of a third-party offer to purchase treated wastewater. If this Agreement terminates prior to the second anniversary of the Effective Date, then the Option Fee is to be prorated and returned to Valero for the months remaining until the fifth anniversary of the Effective Date.

- B. *Effective Date.* The Effective Date of this Agreement is the date upon which it is approved by the City.
- C. *Termination.* The City may terminate this Agreement only in the event that Valero fails to timely pay the Option Fee and Valero has been provided written notice of this failure and thirty (30) days to cure.
- D. *Notices.* Any notice provided for in this Agreement and any other notice, demand or communication which any Party may wish to send to any other Party relating to the subject matter of this Agreement shall be in writing and either delivered by recognized national overnight courier delivery service such as Federal Express, UPS or DHL, hand-delivered, or sent by regular U.S. postage prepaid, and addressed to the Party for which such notice, demand, or communication is intended at such Party's address as provided below. Copies of all notices to Valero shall include a copy to:

If to Valero: Valero Refining - Texas, L.P.
1301 Loop 197 South
Texas City, TX 77590
Attn: Cory Moss
Telephone: 409-948-7482
Facsimile: 409-948-7598

If to the City: City of Texas City
1801 9th Avenue North
Texas City, TX 77592
Attn. Mayor Matthew T. Doyle
Telephone: 409-643-5901
Facsimile: 409-949-3090

Any Party may change its address for notice hereunder to any other address by giving written notice of such new address to the other Parties in accordance with this Section. Any notice, demand, or other communication shall be in English, and shall be deemed given and effective as of the date of delivery. The inability to deliver because of a changed address of which proper notice was not given, or rejection or other refusal to accept any notice, demand or other communication, shall be deemed to be the receipt of the applicable notice, demand or other communication as of the date of such inability to deliver or rejection or refusal to accept.

The date of notice shall be the date it is received by the addressee or the office of the addressee, whichever is earlier.

II. Agreement Terms

- A. In the event Valero exercises its option to purchase the treated wastewater effluent from the TCWWTP, the Parties will negotiate the terms of any such agreement in good faith. From the date Valero exercises its option, the Parties will have ninety (90) days to negotiate the terms of a recycled water agreement during which time the 4.3 mgd of water remains committed for purchase by Valero.

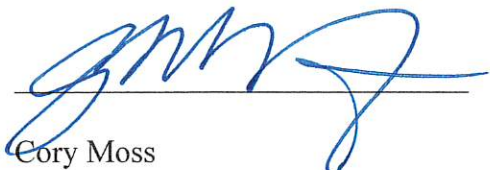
III. Miscellaneous Terms.

- A. *Complete Agreement.* This Agreement embodies the entire agreement between the Parties hereto relating to the subject matter hereof and supersedes and replaces in their entirety all prior understandings and agreements relating to the subject matter hereof.
- B. *Severability.* Should any provision of this Agreement or portion hereof be declared invalid, void or unenforceable, it shall not affect the validity or enforcement of the remaining provisions or portion hereof which shall remain in full force and effect as if the Agreement had been executed without such invalid, void or unenforceable provision or portion hereof having been included.
- C. *Assignment.* The City may not assign the Agreement without the written consent of Valero. Valero may assign the Agreement to any third party that is acquiring all or substantially all of the Valero Texas City Refinery.
- D. *Modification and Waiver.* This Agreement may not be modified or amended except by an instrument in writing duly executed by both Parties. Either party hereto may, by an instrument in writing, waive compliance with or breach of any term or provision of the Agreement by the other Party. The waiver by any Party hereto of compliance with or breach of any term or provision of the Agreement shall not be construed as a waiver of subsequent compliance or of any subsequent breach.
- E. *Authority.* Each person executing the Agreement represents that he or she has been duly authorized to do so by the Party on whose behalf he or she is signing, and that in so doing he or she shall bind such Party to all of the terms hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective upon approval by the City.

VALERO:

VALERO REFINING - TEXAS, L.P.

By:  _____

Name: Cory Moss

Title: Vice President & General Manager

Date: 6/8/2020

CITY:

CITY OF TEXAS CITY

By: _____

Name: Matthew T. Doyle

Title: Mayor

Date: _____

F. *Counterparts.* The Parties may execute the Agreement in identical multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but a single instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective upon approval by the City.

VALERO:

CITY:

VALERO REFINING - TEXAS, L.P.

CITY OF TEXAS CITY

By: _____ By:  _____

Name: Cory Moss

Name: Matthew T. Doyle

Title: Vice President & General Manager

Title: Mayor

Date: _____ Date:  _____