

**RESOLUTION 25-R-129**

**A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF SCHERTZ, TEXAS AUTHORIZING THE CITY MANAGER TO ENTER INTO AN INTERLOCAL AGREEMENT BETWEEN THE CITY OF SCHERTZ, TEXAS AND THE CIBOLO CREEK MUNICIPAL AUTHORITY REGARDING THE SOUTH WASTEWATER TREATMENT PLANT EXPANSION PROJECT, AND RELATED MATTERS IN CONNECTION THEREWITH.**

**WHEREAS,** The City Council of the City of Schertz, Texas (the City) has previously discussed and desires to participate in the design and construction of the expansion of the south wastewater treatment plant that is owned, managed, maintained, and operated by the Cibolo Creek Municipal Authority (the Authority); and

**WHEREAS,** the City is faced with future growth within its city limits in the vicinity of Interstate Highway 10 and Cibolo Creek for which additional wastewater treatment facilities will be needed; and

**WHEREAS,** the Authority is the regional agency designated to provide regional wastewater service in the Cibolo Creek Watershed in the vicinity of the City; and

**WHEREAS,** The Board of Directors of the Authority also wants to participate in the design and construction of the South Plant; and

**WHEREAS,** Chapter 791 of the Texas Government Code, as amended, titled Interlocal Cooperation Contracts, authorizes contracts between political subdivisions for the performance of governmental functions and services, and pursuant to Chapter 791, Texas Government Code, as amended, and the general and special laws of the State of Texas, the Parties are authorized to enter into such an inter-local agreement; and

**WHEREAS,** the City staff of the City has recommended that the City enter into an inter-local agreement with the Authority for the purchase provided for herein; and

**WHEREAS,** the City Council has determined that it is in the best interest of the City to into said inter-local agreement.

**NOW THEREFORE, BE IT RESOLVED, THAT THE CITY COUNCIL OF THE CITY OF SCHERTZ, TEXAS THAT:**

Section 1. The City Council hereby authorizes the City Manager to enter into the agreement generally in the form attached, subject to minor changes approved by the City Manager and City attorney, generally per the attached Exhibit "A" – Regional Wastewater Treatment Contract South Wastewater Treatment Plant Expansion Project.

Section 2. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the City Council.

Section 3. All resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

Section 4. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 5. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Resolution would have been enacted without such invalid provision.

Section 6. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, Texas Government Code, as amended.

Section 7. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

PASSED AND APPROVED on the \_\_\_\_\_ day of \_\_\_\_\_, 2025.

CITY OF SCHERTZ, TEXAS

\_\_\_\_\_  
Ralph Gutierrez, Mayor

ATTEST:

\_\_\_\_\_  
Sheila Edmondson, City Secretary

Exhibit "A"

Regional Wastewater Treatment Contract South Wastewater Treatment Plant Expansion Project

**DRAFT**

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REGIONAL WASTEWATER TREATMENT CONTRACT

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\_\_\_\_\_, 2025

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between

CIBOLO CREEK MUNICIPAL AUTHORITY

and

CITY OF SCHERTZ, TEXAS

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SOUTH WASTEWATER TREATMENT PLANT EXPANSION PROJECT

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## **REGIONAL WASTEWATER TREATMENT CONTRACT**

THIS REGIONAL WASTEWATER TREATMENT CONTRACT (this “Contract”) dated as of the \_\_\_\_\_, 2025 (the “Contract Date”) is between the CIBOLO CREEK MUNICIPAL AUTHORITY, a regional conservation and reclamation district created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas and Chapter 8166, Texas Special District Local Laws (the “Authority”) and the CITY OF SCHERTZ, TEXAS, a home rule municipality (the “City of Schertz” or the “Original Participating Member”, which, together with any Additional Participating Members (hereinafter defined), are collectively or individually referred to herein as the “Participating Members”).

### **P R E A M B L E   A N D   W I T N E S S E T H :**

WHEREAS, the Act (hereinafter defined) provides that the Authority is vested with and has the right to exercise all of the rights, powers, privileges, authority, and functions conferred by the general laws of the State of Texas applicable to a river authority pursuant to Chapter 30, Texas Water Code, as amended, and to municipal utility districts, including without limitation those conferred by Chapter 54, Title 4, Texas Water Code, as amended; and

WHEREAS, the Authority’s boundaries currently include all of the territory located in the service area of its members as provided in their respective certificates of convenience and necessity issued by the Texas Commission on Environmental Quality (the “Commission”); and

WHEREAS, the Authority has previously issued two series of bonds (together, the “Original Bonds”) to finance the acquisition, construction, building, owning, expansion, improvement, renovation, equipment, operation, and maintenance of a regional wastewater treatment facility and certain related transmission lines (known as the “South Wastewater Treatment Plant Project”); and

WHEREAS, the South Wastewater Treatment Plant current service area is indicated in Exhibit D, as may be updated from time to time; and

WHEREAS, the Original Bonds are special obligations of the Authority payable from and secured solely by a lien on and pledge of certain revenues paid to the Authority by the City of Schertz pursuant that certain “Regional Wastewater Treatment Contract” dated as of September 11, 2014 by and between the City of Schertz and the Authority (the “Original Regional Wastewater Treatment Contract”), and such revenues do not include revenues derived from the OJR Plant (as defined below); and

WHEREAS, the Original Regional Wastewater Treatment Contract and Original Bonds are separate from and not related to the Odo J. Reidel Wastewater Treatment Plant (“OJR Plant”); and

WHEREAS, through an interlocal agreement with the City of Schertz, the City of Cibolo currently utilizes a portion of the treatment capacity in the South Wastewater Treatment Plant Project and, through the interlocal agreement, is responsible for a portion of the costs associated with the construction and operation of the South Wastewater Treatment Plant Project; and

WHEREAS, the Authority plans to expand, improve, renovate, equip, operate, and maintain the Original System (hereinafter defined) (the “Expansion Project”) for the benefit of the Cities of Schertz and Cibolo; and

WHEREAS, to finance the costs of the Expansion Project, the Authority intends to issue one or more series of its contract revenue bonds or other debt obligations (collectively, the “Bonds”), pursuant to a public, competitive, or negotiated sale, to be secured by and payable from revenues received by the Authority, in part, pursuant to this Contract, as well as revenues received by the Authority pursuant to any other regional wastewater treatment contracts entered into between the Authority and its other customers of the Expansion Project (the Participating Members and such other customers pursuant to their respective contract, collectively, the “Customers”); and

WHEREAS, the Bonds shall constitute “Special Project Bonds,” as defined and authorized in the orders authorizing the issuance of the respective series of Original Bonds (together, the “Original Bond Resolution”) and as used in the Original Regional Wastewater Treatment Contract; and

WHEREAS, for and in consideration of the Authority to receive wastewater for treatment as provided herein, the Participating Members, pursuant to this Contract, and the other Customers pursuant to their respective contract, are willing and have agreed to contract with the Authority to deliver wastewater to the Expansion Project and to pay their respective costs of the Expansion Project by assisting in the amortization of the principal of and interest on the Bonds and paying their respective share of the Authority’s Operation and Maintenance Expenses (hereinafter defined); and

WHEREAS, the Authority and the Participating Members are authorized to enter into this Contract pursuant to the Authority’s enabling statute, Chapter 8166, Texas Special District Local Laws Code, as amended (the “Act”) and Chapter 791, Texas Government Code, as amended (the “Interlocal Cooperation Act”), and other applicable laws; and

WHEREAS, the Authority agrees that the Participating Members shall continue to own their respective Certificates of Convenience and Necessity issued by the Commission, shall continue to own and operate their respective utility systems; and

WHEREAS, the Participating Members, pursuant to this Contract, and the other Customers pursuant to their respective contract, propose to pay their share of costs of the Expansion Project and the Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of wastewater each has agreed to deliver under their respective contract; and

WHEREAS, the Participating Members acknowledge the Authority’s ability to expand the System through the issuance of Special Project Bonds supported by contracts with the City of Schertz, Texas and the City of Cibolo, Texas (each an “Original Customer” and, together, the “Original Customers”), Additional Participating Members, Customers, or any future members of the Authority, with or without the approval of the other Customers, should the Participating Member solely interested in expanding the System be willing to issue Special Project Bonds and accept sole authority for payment for the expansion of the System; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and the Participating Members agree and contract as follows:

ARTICLE I  
Definitions

Section 1.01 Definitions.

The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

- (1) “Act” means Chapter 8166, Texas Special District Local Laws Code, as amended.
- (2) “Additional Participating Member(s)” means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Contract to be bound by the terms of this Contract, as it may be amended from time to time.
- (3) “Annual Payment Period” means the Authority’s Fiscal Year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority.
- (4) “Authority” means the Cibolo Creek Municipal Authority, a regional conservation and reclamation district created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas and created in accordance with the Act. Except as otherwise noted herein, actions required or permitted to be taken by the Authority under this Contract may be taken by the General Manager on behalf of the Authority.
- (5) “Authority Service Rules and Policies” means the Authority’s Schedule for Rates, Fees, Charges, and Orders (including, but not limited to, the Authority Industrial Waste Order) related to the System, as amended by the Authority Board of Directors from time to time.
- (6) “Board” or “Board of Directors” means the governing body of the Authority.
- (7) “Bond Resolution” means any order or other financing documents of the Authority which authorizes any Bonds.
- (8) “Bond Payment” means the amount of money to be paid to the Authority by the Participating Members from the revenues of the Participating Members’ utility system as an operating and maintenance expenses of the Participating Members’ utility system pursuant to Chapter 1502, as amended, Texas Government Code, or other applicable law, at the times and in the amounts required herein and also as set forth in Sections 3.02, 5.01, 7.05, and 7.06 of this Contract, which payment shall include the Expansion Project Costs.
- (9) “Bonds” means all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under this Contract, and the interest thereon, hereafter issued by the Authority to finance the costs to acquire, construct, expand, renovate, improve, and equip the Expansion Project, and/or all bonds, notes, or other obligations issued subsequently to finance costs to improve and extend the Expansion Project, and any bonds or other obligations issued to refund any other bonds, notes, or other obligations to refund any other refunding bonds or other obligations.
- (10) “Code” means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

(11) “Commission” means the Texas Commission on Environmental Quality or any successor entity thereto.

(12) “Contract” means this Regional Wastewater Treatment Contract (South Wastewater Treatment Plant Expansion Project), as initially executed and as it may be amended from time to time.

(13) “Credit Agreement” means any credit agreement, as defined in and authorized by the provisions of Chapter 1371, as amended, Texas Government Code which the Authority enters into relating to its obligations with respect to the Bonds.

(14) “Customer(s)” is as defined in the preamble of this Contract.

(15) “EMMA” means the MSRB’s Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

(16) “Expansion Project” is as defined in the preamble of this Contract.

(17) “Expansion Project Costs” means and includes, without limitation, the following costs incurred for the Expansion Project by or on behalf of the Authority:

(a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;

(b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Expansion Project;

(c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Expansion Project;

(d) the cost of engineering, legal, architectural or other related services;

(e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Expansion Project;

(f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Expansion Project in operation;

(g) finance charges and interest before, during, and after construction;

(h) costs incurred in connection with financing the Expansion Project, including, without limitation:

i. financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;

ii. the costs of a Credit Agreement;

iii. the cost of printing, engraving, and reproduction services; and

iv. the cost of a trustee’s or paying agent’s initial or acceptance fee and subsequent fees.

- (i) all costs, fees and expenses of litigation of all kinds;
- (j) the cost of property casualty and public liability insurance;
- (k) the Authority's Overhead Expenses; and
- (l) other costs generally recognized as a part of project construction costs.

(18) "Fiscal Year" means the Authority's fiscal year, which currently begins on October 1 of each year and ends on September 30 of the following year, as it may be changed from time to time by the Authority with notice to the Participating Members.

(19) "Force Majeure" means such term only as it is defined in Section 5.07 of this Contract.

(20) "General Manager" means the general manager of the Authority's operations, including any party or entity that the Authority enters into a management contract to provide these services.

(21) "Land Interests" means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Expansion Project.

(22) "MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

(23) "OJR Plant" is as defined in the preamble of this Contract.

(24) "Operating and Maintenance Payment" means, during an Annual Payment Period, the total amount required to pay all Operation and Maintenance Expenses of the Authority and the Expansion Project.

(25) "Operation and Maintenance Expenses" means all direct costs and expenses incurred by the Authority for its operation and maintenance, including but not limited to (for greater certainty but without limiting the generality of the foregoing) amounts payable under any contract with any federal, state, or local agency for the construction, operation, and/or maintenance of the South Wastewater Treatment Plant facilities or any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Authority's treatment of wastewater hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, Overhead Expenses, and costs of operating, repairing, maintaining, replacing equipment for proper operation and maintenance of the South Wastewater Treatment Plant. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Contract. The South Wastewater Treatment Plant Project is generally located in the southern South Wastewater Treatment Plant Service Area as defined in Exhibit D, and not the OJR Plant Service Area, and may be amended from time to time.

(26) "Original Participating Members" means the City of Schertz, Texas.

(27) "Original System" means the works, improvements, facilities, plants, equipment, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the regional wastewater treatment facility designated as the "South Wastewater Treatment Plant Project" of the Authority now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or

extensions thereto or improvements and replacements thereof, except the facilities which the Authority may purchase or acquire with the proceeds of the sale of Special Project Bonds (as such term is defined in the Original Resolution), so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the Original System; provided, however, that Original System shall not include any other enterprise fund currently owned, operated, and maintained by the Authority.

(28) "Overhead Expenses" means the Authority's reasonable and necessary costs and expenses incurred and directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Expansion Project, if any, the design, permitting, financing, acquisition, construction, and ownership of the Expansion Project and any other activities required of or involving the Authority in connection with or attributable to the Expansion Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related to the Expansion Project,

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with their reimbursable expenses paid or required to be paid by the Authority;

(c) salaries of the Authority's staff attributable to the Expansion Project or the Bonds based on time expended, as documented or reasonably estimated by the General Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Expansion Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Expansion Project;

(g) an amount to fund a special reserve for the Operation and Maintenance Expenses or for additional capital improvements to the Expansion Project;

(h) when the Authority and the Participating Members agree to issue Bonds to finance the costs of the Expansion Project, a capital component, including principal, interest, premium, reserve funds, and other funds established or required by any Bond Resolution and to pay the principal and of and interest on the Bonds; and

(i) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Expansion Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Expansion Project Costs.

(29) "Participating Member(s)" means the Original Participating Members and all Additional Participating Members from time to time subject to this Contract.

(30) "Permitted Liens" means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Expansion Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Contract, the term “roads” shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Expansion Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Expansion Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

(31) “Point(s) of Delivery” means the point or points designated in Exhibit B to this Contract or by subsequent agreement where wastewater will be delivered to the Authority by Customers concerning the Expansion Project.

(32) “Prohibited Wastes” means those substances and waste prohibited from being discharged into the System as described in the Authority Service Rules and Policies.

(33) “Rule” means SEC Rule 15c2-12, as amended from time to time.

(34) “SEC” means the United States Securities and Exchange Commission and any successor to its duties.

(35) “Sale and Offering Documents” means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

(36) “South Side Basin Wastewater Impact Fee” means a charge imposed per connection for wastewater services related to the Expansion Project as approved by the Texas Commission on Environmental Quality for funding the costs of wastewater capital improvements or facility expansions necessary to serve the Participating Members in the amount set forth in the Authority Service Rules and Policies and as amended from time to time by the Authority’s Board of Directors.

(37) “State” means the State of Texas.

(38) “System” or “South Plant” means the works, improvements, facilities, plants, equipment, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the regional wastewater treatment facility designated as the “South Wastewater Treatment Plant Expansion Project” of the Authority now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, including the Expansion

Project, except for the Original System and facilities which the Authority may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System; provided, however, that System shall not include any other enterprise fund currently owned, operated, and maintained by the Authority (and excludes specifically any funds attributable to the OJR Plant.

Section 1.02 Construction. Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Contract and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Contract.

## ARTICLE II Representations and Warranties

Section 2.01 Representations and Warranties of Authority. The Authority hereby represents and warrants that it has full power and authority to treat wastewater delivered by the Participating Members in accordance with the terms of this Contract and the execution and delivery of this Contract by the Authority and the performance by the Authority of the provisions hereof do not and will not conflict with or constitute on the part of the Authority a breach or a default of any provision of any other contract or agreement of the Authority.

Section 2.02 Representations and Warranties of Participating Members. Each of the Participating Members hereby represents and warrants that it has full power and authority to delivery wastewater to the Authority in accordance with the terms of this Contract; and the execution and delivery of this Contract by each Participating Member and the performance of the provisions hereof by each Participating Member do not and will not conflict with or constitute on the part of such Participating Member a breach or a default of any provision of any other contract or agreement of such Participating Member.

## ARTICLE III Construction of Expansion Project and Issuance of Bonds

Section 3.01 Construction of Expansion Project. The Authority agrees that the acquisition, construction, improvement, and equipping of the Expansion Project by the Authority will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.02 to provide a source of funds, with all practical dispatch.

### Section 3.02 Issuance of Bonds.

A. The Authority may issue its Bonds, payable from and secured by a pledge of the Bond Payments from this Contract to finance or refinance the costs of acquiring, owning, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Expansion Project.

B. Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Expansion Project as may be necessary for the marketing and sale of the Bonds. The Authority may from

time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Expansion Project.

C. Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Directors, a draft of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to each of the Participating Members for review and approval. Each of the Participating Members shall adopt a resolution approving the issuance of Bonds and delegate to an authorized representative the approval of the final terms and provisions of the Bonds, including the principal amount, as reflected in the final Bond Resolution.

D. Upon the Participating Members approval of (i) each form of Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of each of the Participating Members to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Directors, the execution of an approval certificate by the authorized representatives of each of the Participating Members approving the final terms and provisions of the Bonds and the Bond Resolution, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

E. All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Members, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participating Members so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Contract and the Bond Resolution. Particularly, the obligation of each of the Participating Members to make, promptly when due, all Bond Payments specified in this Contract shall be absolute and unconditional, and said obligation may be enforced as provided in this Contract. In addition, subject to the approval of the Participating Members, the Authority may enter into Credit Agreements, to the extent permitted by law, for the purpose of achieving the lowest financing costs for the Expansion Project.

Section 3.03 Liens. Neither the Participating Members nor the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Expansion Project or any interest therein at any time, except Permitted Liens.

Section 3.04 Tax-Exempt Bonds. The Participating Members hereto understand and agree that the Authority will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Expansion Project. In connection therewith, the Participating Members intend that the Authority will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The Participating Members hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the Participating Members agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the Participating Members, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should any of the Participating Members fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations

described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The Participating Members hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The Participating Members further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the Participating Members may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the Participating Members, the Participating Members will identify a different firm, that is mutually acceptable to both parties, in order to resolve the conflict of opinion.

Section 3.05 Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.04, the Authority hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the trustee or paying agent to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, the Authority forthwith shall pay the amount of such insufficiency on such date to the trustee or paying agent in immediately available funds for such purpose.

Section 3.06 Sale and Offering Documents. At the request of the Authority, the Participating Members shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating Members, and such other information concerning the Participating Members as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Members deem such Sale and Offering Documents to be complete and final for purposes of the Rule. The Participating Members represent and warrant that all statements concerning the Participating Members (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.07 Authority's Rights Assigned to Trustee. The Participating Members are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the Authority's rights under this Contract, including the right to receive the Bond Payments hereunder. The Participating Members herewith assent to such assignment and will make the Bond Payments directly to the trustee without defense or set-off by reason of any dispute between the Participating Members and the Authority or the trustee. All rights against the Participating Members arising under this Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Members, to the extent provided in the Bond Resolution, for the enforcement of this Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

#### ARTICLE IV Treatment of Wastewater; Operating Requirements

Section 4.01 Wastewater Quality. The quality of wastewater delivered to the System shall comply with applicable provisions of the Authority Service Rules and Policies. Wastewater delivered to the System shall not include Prohibited Wastes.

Section 4.02 Wastewater Delivery. The Participating Members hereby agree to pay the Authority for the delivery and treatment of wastewater and the Authority hereby agrees to receive from the Participating Members all of the wastewater to be treated by the Authority at the Expansion Project subject to the terms and provisions of this Contract or other contracts which generate System revenues.

Section 4.03 Points of Delivery. Each Participating Member agrees to deliver wastewater at the Point(s) of Delivery for such Participating Member set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Participating Member, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe connections, wastewater installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Participating Members.

Section 4.04 Metering Equipment. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of wastewater delivered by the Participating Member to the Authority under this Contract at the Point or Points of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of wastewater being delivered. Each Participating Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. If requested, a Participating Member may witness such reading, calibration, and adjustment of meters. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of wastewater furnished during such period shall be deemed to be the amount of wastewater delivered in the corresponding period immediately prior to the failure, unless the Authority and the Participating Member shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Participating Member may have access to said record books during normal business hours.

Section 4.05 Participating Members Responsible for Retail Connections. The Participating Member will be solely responsible for providing retail wastewater service within its boundaries. The Participating Member shall not provide wastewater services received under this Contract to any entity, private or public, other than the Participating Member's retail connections located within its boundaries. The Participating Member will be solely responsible for ensuring compliance by its retail connections with the applicable terms of this Contract, for the applicable provisions of the Authority Service Rules and Policies and for the proper and lawful application of Participating Member's policies and regulations governing connection to the System.

Section 4.06 Authority Treatment and Reuse of Wastewater. The Authority shall treat the wastewater delivered by the Participating Member pursuant to this Contract and dispose of or reuse the effluent generated thereby in such manner as may be provided in the Authority's permit or other

Commission authorization in its sole discretion. The Authority shall have the sole right to reuse, or authorize reuse, of wastewater treated pursuant to this Contract.

Section 4.07 Right of Entry. The Participating Member agrees to provide Authority the right of entry and access to the Participating Member's utility system at all reasonable times upon prior notice in order to inspect facilities, to investigate the source of operational or maintenance problems, for preventive purposes intended to detect, minimize, or avert operational or maintenance problems, or for any other purpose reasonably related to the provision of wastewater services pursuant to this Contract.

Section 4.08 Wastewater Impact Fees.

(a) The Participating Member shall be obligated to pay Authority a South Side Basin Wastewater Impact Fee for each new retail wastewater customer that connects to the System and receives wastewater service provided under this Contract. For the term of this Contract, the South Side Basin Wastewater Impact Fee will be the amount established from time to time in the Authority Service Rules and Policies, provided that no increase in the South Side Basin Wastewater Impact Fee will become effective for the Participating Member until the Authority has given at least 60 days' prior written notice of the change to the Participating Member, and any such increases shall be applied to connections in accordance with Texas Commission on Environmental Quality regulations, and, when applicable, Chapter 395, Texas Local Government Code, in order to allow the Participating Member adequate time to make corresponding changes to its rate order. The South Side Basin Wastewater Impact Fee paid for each new retail wastewater connection to the System shall be due and payable to Authority within 45 days after the end of the calendar month in which the new retail wastewater connection is made.

(b) Within 45 days after the end of each calendar month, Participating Member shall submit a monthly report to Authority, reflecting the new customer(s), service address(es), meter size(s) and an estimated quantity of wastewater flows for which payment of a South Side Basin Wastewater Impact Fee is being made. The Authority reserves the right to audit all Participating Member submitted data and recalculate the estimated quantity of wastewater flows in accordance with the Authority Service Rules and Policies. If no new connections have been made, the monthly report will still be required, but will reflect that there have been no changes from the prior reporting period. If the Participating Member fails to submit any report within the time period required by this Contract, Authority may assess the Participating Member a \$50 late charge per customer account not reported. Unless changed by written notice in accordance with Section 8.02 hereof, the South Side Basin Wastewater Impact Fees and monthly reports required by the Section 4.08 will be submitted to the following address:

Cibolo Creek Municipal Authority  
100 Dietz Road  
Schertz, Texas 78154  
Attention: General Manager

(c) The South Side Basin Wastewater Impact Fee has been designed to fund or recover all or a part of the costs of the System for capital improvements or facility expansions intended to serve single family connections the Authority's South Side Basin service area as authorized by the Texas Commission on Environmental Quality and as it may be amended from time to time. Notwithstanding anything in this Contract to the contrary, the Parties agree that each Customer shall be entitled to a credit of its Bond Payment to the extent a corresponding amount has been paid to the Authority as a South Side Basin Wastewater Impact Fee.

(d) The Authority specifically acknowledges and agrees that South Side Basin Wastewater Impact Fees may be paid by other third parties on behalf of the Participating Member.

ARTICLE V  
Fiscal Provisions

Section 5.01 Bond Payment. Subject to the terms and provisions of this Contract, the Authority will provide and pay for the cost of the Expansion Project through the issuance of Bonds. It is acknowledged and agreed that payments by the Participating Members to the Authority under this Contract, and the payments by the other Customers to the Authority for the Expansion Project under their respective regional wastewater treatment contract for the Expansion Project, will be the sole or primary source of funds available to provide the Participating Members' Bond Payment to the Authority. Costs associated with the Expansion Project shall never be paid with revenues received from the Original System. Each Customer shall be obligated to pay the full amount of their respective Participating Members' Bond Payment notwithstanding that it may elect not to deliver wastewater under this Contract. Notwithstanding the foregoing, should another Customer deliver additional wastewater to the Authority pursuant to the "Wastewater Delivery" and "Points of Delivery" provisions in their respective regional wastewater treatment contract in excess of its annual allocation, then such Customer shall receive a charge for such additional wastewater through an increase to its Bond Payment, and the other Customers shall receive a credit against their Bond Payment in a proportionate amount.

Each Customer's Bond Payment for each Annual Payment Period shall be made in accordance with a written schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Customers by the Authority.

The Participating Member will have a guaranteed reservation of capacity in the System in exchange for Bond Payments made in accordance with this section and Section 5.04 hereof.

Section 5.02 Operating and Maintenance Payment. Each such Operating and Maintenance Payment shall be allocated among the Customers and the Authority based upon a rate methodology to be developed by the Authority or according to their respective amount of wastewater delivered pursuant to the terms of the Customers respective contract, and the Operating and Maintenance Payment for each Annual Payment Period shall be identified in each annual budget and shall at all times be not less than an amount sufficient to pay or provide for all Operation and Maintenance Expenses as defined in 1.01(27). In compliance with the Authority's duty fix and from time to time to revise the rates and charges for services rendered under this Contract, the Operating and Maintenance Payment may change from time to time.

Each Customer shall pay its Operating and Maintenance Payment according to a rate methodology to be developed by the Authority or based upon the relative amount of wastewater delivered by each Participating Member and set forth on Exhibit A, as amended from time to time, and by each other Customer pursuant to their respective regional wastewater treatment contract. The Authority shall charge each Customer its share of pumping costs according to the amount of wastewater actually delivered to the Authority.

Section 5.03 Annual Budget for Operation and Maintenance Expenses. Each annual budget for the operation and maintenance of the South Wastewater Treatment Plant Project shall always provide for amounts sufficient to pay the Operation and Maintenance Expenses. Each Participating Member under this Contract and each other Customer under their respective regional wastewater treatment contract related to the South Wastewater Treatment Plant Project will be furnished a copy of such annual budget, and each Participating Member hereby acknowledges its ability to pay its share of the Operation and Maintenance Expenses from available funds budgeted therefor. On or before July 15 of each year thereafter commencing July 15, 2026, the Authority shall furnish to each Participating Member a

preliminary estimate of the Operating and Maintenance Payment required from each Participating Member for the next following Annual Payment Period.

Not less than 60 days before the commencement of each Annual Payment Period beginning in Fiscal Year 2026-2027, the Authority shall cause to be prepared a preliminary budget for the Expansion Project for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with each Customer before action by the Board. Any Participating Member may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereof as to it may seem proper; provided, however, no change or amendment to the preliminary budget will be made by the Board after such preliminary budget has been submitted to the Participating Members which change or amendment would in effect increase the Operating and Maintenance Payment without resubmitting such amended preliminary budget to the Participating Members. The Board shall thereupon approve the annual budget. With respect to budgetary matters, the Participating Members shall have the right only to comment on the preliminary budget; their approval of the preliminary or final annual budget shall not be required. The annual budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The annual budget, including the first annual budget, may be amended by the Authority at any time to transfer funds from one account or fund to another account or fund, provided such transfer will not increase the total budget and the transfer of funds is attributable to the costs of the Expansion Project or to the Operation and Maintenance Expenses. Subject to notification to the Participating Members, the amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the annual budget for the Expansion Project to be exceeded; provided, however, such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in the notice to the Participating Members and in the resolution at the time such action is taken by the Board.

The foregoing shall not prevent the Authority from combining the budget for the Original System, the OJR Plant, and any other regional wastewater treatment facility of the Authority, either in existence or subsequently constructed and/or acquired, with the budget for the Expansion Project so long as the budget provides amounts sufficient to pay the annual requirement for Operation and Maintenance Expenses due under any applicable regional service contract.

Notwithstanding anything herein to the contrary, no failure of the Authority to estimate, and no mistake by the Authority in any estimate of, the amount of or schedule for the Operating and Maintenance Payment due from the Participating Members in any Fiscal Year shall relieve the Participating Members from (or defer) their absolute and unconditional obligation to make the Operating and Maintenance Payment in full when due.

#### Section 5.04 Payments by Participating Members.

A. For wastewater delivered by the Participating Members to the Authority under this Contract, and by the other Customers to the Authority under their respective regional wastewater treatment contract, whether or not the Participating Members or other Customers, respectively, deliver such wastewater, each of the Participating Members under this Contract, and the other Customers under their respective contract, agree to pay, at the time and in the manner hereinafter provided, its Bond Payment and Operating and Maintenance Payment. Each Customer shall pay its Bond Payment and Operating and Maintenance Payment directly to the Authority (or its assigns), in monthly installments in accordance with the schedule of payments furnished by the Authority, as hereinafter provided.

B. Each Participating Member hereby agrees that it will make payments to the Authority required by this Contract at the Authority's offices within 15 days of the date a bill for service is deposited in the United States mail. If any Participating Member at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments; but if it is subsequently determined by agreement or by appropriate administrative, board, agency, or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Participating Member will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Participating Member or due and owing to any Participating Member by the Authority shall, if not paid when due, bear interest at the maximum lawful nonusurious rate of interest per annum from the date when due until paid.

C. The Authority shall, to the extent permitted by law, suspend the delivery of services or the acceptance of wastewater to the Expansion Project by any Participating Member which remains delinquent in any payments due under the preceding paragraph for a period of thirty (30) days, and shall not resume delivery of services or the acceptance of wastewater to the Expansion Project while such Participating Member is so delinquent. The Authority also retains the right to charge a reconnection fee or other appropriate charges prior to commencing utility service to the delinquent Participating Member. The Authority shall pursue all legal remedies against any such delinquent Participating Member to enforce and protect the rights of the Authority, the other Participating Members, and the holders of the Bonds, if Bonds have been issued or incurred. The delinquent Participating Member shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the Authority and holders of the Authority's Bonds, if Bonds have been issued or incurred, so as to insure that all of the Bond Payment and the Operating and Maintenance Payment will be paid by the non-delinquent Participating Members and the Authority during each Annual Payment Period regardless of the delinquency of a particular Participating Member. If any amount due and owing the Authority by any Participating Member is placed with an attorney for collection, such Participating Member shall pay to the Authority all attorneys' fees, in addition to all other payments provided for herein, including interest.

D. If, during any Annual Payment Period, any Participating Member's Bond Payment or Operating and Maintenance Payment is redetermined in any manner as provided or required in Section 5.05, the Authority will promptly furnish such Participating Member with an updated schedule of monthly payments reflecting such redetermination.

Section 5.05 Redetermination of Bond Payment and Operating and Maintenance Payment.

Notwithstanding the foregoing, the Bond Payment and the Operating and Maintenance Payment, and each Customer's share of either, shall be redetermined, after consultation with each of the Customers, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the Authority, if:

- A. Unusual, extraordinary, or unexpected Operation and Maintenance Expenses are required which are not provided for in the Authority's annual budget or reserves for the Expansion Project;
- B. Operation and Maintenance Expenses of the Expansion Project are substantially less than estimated;

- C. a Participating Member's interest under this Contract is terminated as provided herein or Additional Participating Members become subject to this Contract;
- D. the Authority issues Bonds for the Expansion Project; or
- E. the Authority receives either significantly more or significantly less revenues or other amounts than those anticipated.

Section 5.06 Connection to the Expansion Project.

Each Participating Member agrees to connect each Point of Delivery to the Expansion Project and to bear solely such Participating Members' total construction costs in connection therewith, including material, labor, and equipment, required to implement such connection with the system. Each Participating Member acknowledges the Authority's right to inspect the construction of each of the Participating Members' connections to the Expansion Project.

Section 5.07 Unconditional Payments.

A. Notwithstanding any provision of this Contract to the contrary, while this Contract remains in effect each of the Participating Members agrees to pay its share of the total cost of the Expansion Project and the Bonds.

B. Subject to any offset described in Section 5.01, a Participating Member that does not deliver all of the wastewater allocated to it under this Contract, and a Customer that does not deliver all of the wastewater allocated to it under their respective regional wastewater treatment contract, shall nonetheless be responsible for paying its allocable share of costs in accordance with the provision of this Contract or the respective contract, respectively. The Authority and the Customers delivering wastewater will share the cost of the remaining Operation and Maintenance Expenses of the Expansion Project in proportion to the quantity of wastewater each delivers pursuant to this Contract or the respective contract, respectively.

C. Recognizing that the Participating Members urgently require the facilities and services of the Expansion Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and further recognizing the fact that the Authority will use payments received from the Participating Members to pay and secure the Bonds, it is hereby agreed that each of the Participating Members shall be unconditionally obligated to pay, without offset or counterclaim, its Bond Payment and Operating and Maintenance Payment, as provided and determined in this Contract, regardless of whether or not the Authority actually acquires, constructs, or completes the Expansion Project or actually receives wastewater at the Expansion Project from any Participating Member hereunder, or whether or not any Participating Member actually delivers wastewater to the Expansion Project whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Participating Members shall be for the benefit of and enforceable by the holders of the Bonds as well as the Authority.

D. If by reason of Force Majeure a Participating Member or the Authority shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Participating Member to make the payments required under Section 5.04 of this Contract, then if such party shall give notice and full particulars of such Force Majeure in writing to the other Participating Members and/or the Authority, as appropriate, within a reasonable time after occurrence of the event or

cause relied on, the obligation of the Participating Member or the Authority giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and such Participating Member or the Authority shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of wastewater delivery facilities, or on account of any other causes not reasonable within the control of the party claiming such inability.

ARTICLE VI  
Additional Participating Members

Section 6.01 Additional Participating Members. If capacity at the Expansion Project is available, the Authority and the Original Participating Members agree that additional entities may become subject to the provisions of this Contract as Additional Participating Members by providing the following to the Authority and the then Participating Members:

- A. an executed signature page to this Contract in form satisfactory to the Authority;
- B. to the extent any representation contained in this Contract relating to Participating Members does not correctly describe such entity, a revision of such representations satisfactory in form and content to the Authority in the Authority's sole discretion to be included on Exhibit C to this Contract;
- C. a revised Exhibit A to this Contract satisfactory to the Authority and all then Participating Members;
- D. a revised Exhibit B to this Contract setting forth the Point(s) of Delivery for such entity which shall be satisfactory to the Authority;
- E. a completed Exhibit C to this Contract to the extent applicable to such entity and in form satisfactory to the Authority; and
- F. such other certifications and information as may be reasonably requested by the Authority and the then Participating Members.

The City, as an Original Customer, hereby acknowledges the right of the City of Cibolo, Texas, as the other Original Customer, to utilize up to 45% of the capacity of the Expansion Project, as specified in that certain "Regional Wastewater Treatment Contract" by and between the Authority and the City of Cibolo, Texas of even date herewith.

Notwithstanding any provision in this Contract to the contrary, the Parties acknowledge the Authority's ability to expand the System, including through the issuance of Special Project Bonds supported by contracts with the Original Customer, Additional Participating Members, Customers, or any future members of the Authority, with or without the approval of the other Customers, should the Participating Member solely interested in expanding the System be willing to issue Special Project Bonds and accept sole authority for payment for the expansion of the System.

ARTICLE VII  
Special Conditions

Section 7.01 Operation and Maintenance of the Expansion Project. The Authority will continuously operate and maintain the Expansion Project in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The Authority recognizes its right and duty to operate the Expansion Project in the most prudent and economical manner for the benefit of all Participating Members.

Section 7.02 Expansion Project Schedule. It is the intent of the parties that the Expansion Project be placed in operation as soon as practicable, and the Authority agrees to proceed diligently with the evaluation of feasibility, the securing of regulatory permits, and the design and construction of the Expansion Project to meet such schedule, subject to the other terms and conditions in this Contract.

Section 7.03 Permits, Financing, and Applicable Laws. Any obligations on the part of the Authority to acquire, construct, and complete the Expansion Project and related facilities and to treat wastewater at the Expansion Project from the Participating Members shall be (i) conditioned upon the Authority's ability to obtain all necessary permits, material, labor, and equipment; (ii) subject to the Authority's final determination of feasibility of transportation of the wastewater to the Expansion Project; (iii) conditioned upon the ability of the Authority to finance the cost of the Expansion Project through the sale of the Bonds; and (iv) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, the Commission, and any regulatory body having jurisdiction.

Section 7.04 Title to Wastewater; Indemnification. Title to all wastewater delivered by each Participating Member shall be in the Participating Member up to the Point of Delivery for such Participating Member, at which point title shall pass from the delivering Participating Member to the Authority. The Authority and each of the Participating Members shall, to the extent permitted by law, save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of this wastewater while title remains in such party.

Section 7.05 Payments Solely From Revenues. The Authority shall never have the right to demand payment by any Participating Member of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Participating Members to levy and collect a tax to discharge such obligation. Nonetheless, any Participating Member may make payments from its utility system revenues, or from any other lawful source, including ad valorem taxes, if lawfully available to such Participating Member.

Section 7.06 Operating Expenses. Each of the Participating Members represent and covenant that, to the extent payments under this Contract are made with utility system revenues, such payments shall constitute reasonable and necessary "operating expenses" of its utility system, as defined in Chapter 1502, as amended, Texas Government Code, and that all such payments will be made from the revenues of its utility system or any other lawful source. The Participating Members represent and have determined that the wastewater to be treated at the Expansion Project by the Authority is absolutely necessary and essential to the present and future operation of its utility system and that the Expansion Project represents a long-term plan for the treatment of each Participating Member's wastewater to meet current and projected needs of each Participating Member's utility system and facilities, and, accordingly, all payments required by this Contract to be made by each Participating Member shall constitute reasonable

and necessary operating expenses of its utility system as described above, with the effect that such payments from revenues of such systems shall be deducted from gross revenues of the system in the same manner as other system operating and maintenance expenses for purposes of determining net revenues available to pay bonds or other similar obligations heretofore or hereafter issued by each Participating Member, which obligations are payable from and secured by a pledge of the revenues of the system or facilities after deduction of maintenance and operating expenses.

Section 7.07 Rates for Wastewater. Each Participating member agrees throughout the term of this Contract to continuously operate and maintain its utility system and to fix and collect such rates and charges for utility services to be supplied by its system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically, its Bond Payment and Operating and Maintenance Payment under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 7.08 Use of Funds and System. The Authority covenants and agrees that neither the proceeds from the sale of the Bonds, nor the money paid it pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the Expansion Project and the Bonds as provided in this Contract.

Section 7.09 Rights-of-Way.

A. Each Participating Member hereby grants to the Authority without additional cost to the Authority, the use of the streets, easements, rights-of-way, and pipelines under its control for the construction, emergency repairs, operation, and maintenance of the Expansion Project and the provision and transmission of wastewater hereunder; provided, however, such grant of the use of streets, easements, rights-of-way, and pipelines to the Authority is subject to and conditioned on the Authority (i) complying with all applicable policies, practices, and regulations of the Participating Members governing and regulating such use of the streets, easements, rights-of-way, and pipelines and (ii) paying all costs, if any, of restoring such streets, easements, rights-of-way, and pipelines to substantially the same state of condition that existed prior to the Authority's use.

B. To the extent they have such ownership authority, each Participating Member agrees that, with prior written approval, the Authority may use streets, alleys, and public rights-of-way within the Participating Member's boundaries for pipeline purposes.

Section 7.10 Insurance. The Authority agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance, on the Expansion Project for purposes and in amounts which, as determined by the Authority, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. Premiums for such insurance that relate directly to the Expansion Project or, under generally accepted cost accounting practices, is allocable to the Expansion Project, shall constitute an Operation and Maintenance Expense.

Section 7.11 Additional Special Provisions. The parties hereto acknowledge and agree to the Special Provisions, if any, which are set forth in Exhibit C hereto. The Special Provisions for this Contract reflect circumstances or issues for specific Participating Members which may be different from those of other Participating Members and therefore constitute a modification of or requirement in addition to the standard provisions otherwise contained in this Contract. To the extent of any conflict between any Special Provision and any other provision of this Contract, the Special Provision shall control.

ARTICLE VIII  
Continuing Disclosure

Section 8.01 Annual Reports. The Authority (and each Participating Member if required by the Rule in its approval certificate for any series of Bonds) shall file annually with the MSRB, (1) within six months after the end of each Fiscal Year of the Authority ending in or after 2025, financial information and operating data with respect to the Authority of the general type included in the Sale and Offering Documents authorized by Section [33] of the Bond Resolution, being the information described in Exhibit C to the Bond Resolution, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Authority, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit C to the Bond Resolution, or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Authority commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Authority shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year to the MSRB, when and if the audit report on such financial statements becomes available. The Authority must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the Secretary, Board of Directors, within 180 days after the last day of the Authority's Fiscal Year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the Authority changes its Fiscal Year, it will file notice of such change (and of the date of the new Fiscal Year end) with the MSRB prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section.

Section 8.02 Material Event Notices. The Authority shall file notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Authority, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;
- (15) Incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority, and (b) the Authority intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The Authority shall file notice with the MSRB, in a timely manner, of any failure by the Authority to provide financial information or operating data in accordance with this Section by the time required by this Section.

Section 8.03 Limitations, Disclaimers, and Amendments. The Authority shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Authority remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Authority in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

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

UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE AUTHORITY, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the Authority in observing or performing its obligations under this Section shall constitute a breach of or default under this Contract for purposes of any other provision of this Contract.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Authority under federal and state securities laws.

The provisions of this Section may be amended by the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Contract that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Authority also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or

selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Authority so amends the provisions of this Section, the Authority shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 8.04 Information Format – Incorporation by Reference. The Authority information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

## ARTICLE IX General Provisions

Section 9.01 Term of Contract. This Contract shall be effective on and from the Contract Date and shall continue in force and effect for forty (40) years; provided, however, the term of this Contract and the expiration date may be extended for succeeding five (5) year periods at the option of one or more of the Participating Members. It is understood and agreed by the Authority and each Participating Member that the delivery of wastewater hereunder shall continue throughout any renewals or extension of this Contract. The Authority's obligation to provide wastewater services hereunder shall commence from the date the Expansion Project becomes operational and functional as certified by the consulting engineers for the Expansion Project.

Section 9.02 Approval and Consent. Unless otherwise provided herein, any approval or consent required by the provisions of this Contract by a Participating Member or the Authority shall be evidenced by a written resolution adopted by the governing body of the party giving such approval or consent (or by the General Manager on behalf of the Authority when permitted). Upon receipt of such written resolution duly certified by the appropriate party, the Authority or the Participating Member can conclusively act on the matter requiring such approval.

Section 9.03 Modification and Amendment.

A. No change, amendment, or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by any Participating Member under this Contract or any similar contract, and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

B. This Contract may be amended upon the written consent of the Authority and all then Participating Members; provided, however, no amendment to this Contract shall impair the rights of any holder of any of the Authority's Bonds.

Section 9.04 Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the Authority, to:

Cibolo Creek Municipal Authority  
100 Dietz Road  
Schertz, Texas 78154

B. If to the City of Schertz, Texas to:

City of Schertz, Texas  
1400 Schertz Parkway  
Schertz, Texas 78154

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 9.05 State or Federal Laws, Rules, Orders, or Regulations. This Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 9.06 Remedies Upon Default. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Expansion Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Participating Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Member's obligations hereunder could not be adequately compensated in money damages alone, each Participating Member agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the Authority to receive each of the Bond Payment and the Operation and Maintenance Payment, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper

proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 9.07 Severability. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 9.08 Venue. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Contract that Guadalupe County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in the Texas state courts located in Guadalupe County, Texas.

Section 9.09 Assignment. Neither the Authority nor any Participating Member may assign any interest it may have under this Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Contract.

Section 9.10 Entire Agreement. This Contract constitutes the entire agreement among the parties with respect to the delivery of wastewater to the Plant for treatment by the Authority for the benefit of the Participating Members.

Section 9.11 Applicable Law. This Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 9.12 Waiver of Governmental Immunity. The Participating Members under this Contract agree that the mutual commitment stated in this Contract to provide funding for utility system improvements constitute an agreement by each party for providing goods and services to the other parties, and that this Contract is subject to Chapter 271, Subchapter I, of the Texas Local Government Code. The parties hereto recognize and agree that the Legislature has thereby waived governmental immunity for parties under this Contract to the extent permitted by Chapter 271, Subchapter I, of the Texas Local Government Code.

Section 9.13 No Sale, Lease, or Other Transfer of Participating Member' Utility System. Pursuant to the terms of this Contract, a Participating Member, to the extent permitted by law, shall not sale, lease, or otherwise transfer any substantial interest in such Customer's utility system (constituting at least 50% of the fair market value of its utility system) without the written consent of the Authority.

Section 9.14 Counterparts. This Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[The remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

CIBOLO CREEK MUNICIPAL  
AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(AUTHORITY SEAL)

CITY OF SCHERTZ, TEXAS

By: \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Secretary

(CITY SEAL)

Exhibit A

Rate Methodology Established Pursuant to the Authority's Service Rules and Policies

TO BE DETERMINED

Exhibit B

Points of Delivery

TO BE DETERMINED

Exhibit C

Special Provisions

NONE

Exhibit D

South Wastewater Treatment Plant Service Area