

AMENDMENT TO WHOLESALE WATER SUPPLY CONTRACT

This Amendment to Wholesale Water Supply Contract ("2020 WWS Contract Amendment") is executed at and as of February __, 2020 and effective immediately, to amend the 2006 Wholesale Water Supply Contract ("WWS Contract") between Central Texas Water Supply Corporation ("CTWSC"), a Texas water supply corporation, and Kempner Water Supply Corporation ("KWSC"), a Texas water supply corporation (jointly the "Parties").

Whereas, a dispute has arisen with respect to certain employee related costs and expenses, and the reasonableness and allocation of the charges therefor under the WWS Contract

Whereas the parties have agreed to modify the WWS Contract, as set out herein, in order to further clarify the proper method of charging for those employee related expenses, as well as a process for adjustment in future years, if necessary.

Now, therefore, the Parties agree, in consideration of the covenants and agreements of the WWS Contract, as well as those contained herein as follows:

1. *Article 1, section 1.01* definition "Operation and Maintenance Expenses" or "O&M Expenses" is hereby amended and modified, by the following addition thereto, as follows (the "Agreed Reallocation"):

Salary Costs (Salary Costs being defined to include all pay or direct monetary compensation, including bonus) for the General Manager, and other office staff employees not solely assigned to the Existing System, to the extent charged to or included in general office overhead or administrative costs, shall be charged to and included in the O&M Expenses at a total rate of 90% of the total annual salary cost of such employees.

2. This Amendment shall operate for an initial term of 10 years, from the date hereof until the end of February, 2030, and shall automatically review for successive (5) year periods thereafter, unless modified pursuant to paragraph 3.1 – 3.2 herein.

3.1. At the end of the initial term, or each successive end of term thereafter, the parties can: (a) allow the above agreement (paragraph 1) relating to the allocation of the General Manager, and other office staff costs to continue for the next successive term; (b) agree to modify the allocation of the General Manager, and other office staff costs for the next term based on conditions then existing; (c) agree to designate an independent consultant to conduct a study to determine the appropriate allocation of employee expenses, and method and time therefor; or, if the parties wish to have the allocation determined by a neutral decisionmaker but cannot agree on an independent and appropriate consultant, each choose an engineer with knowledge of the general operations of water supply corporations such as CTWSC and KWSC, and have the neutral decisionmaker chosen by those designated engineers. The cost of any such neutral consultant shall be borne equally by the parties; or (d) seek judicial determination of appropriate allocation of employee expense under Paragraph 3.2.

3.2. The parties may, by given at least 180 days notice prior to February 28, 2030, designate either option (b) or (c) above and upon the giving of notice shall each cooperate with the other in a commercially reasonable manner, including the production of relevant documents, to reach a reasonable and accurate allocation of the General Manager, and other office employee expense and costs related to the Existing System for inclusion in O&M Expenses, as required. In the event that the Parties are unable to reach such an allocation by agreement, then either party shall have the right to demand that the allocation be calculated in a certain manner and, upon refusal by the other party, to file suit for judicial determination of the matter. During such Judicial determination and until Final Judgment, the Reallocation shall remain in effect (subject to adjustment through the Final Judgment from the date of filing of the suit).

4. During the term of this Agreement, the Parties agree that all reasonable and necessary audit and accounting fees, including those charged for CTWSC's annual audit and for monthly accounting reviews by CTWSC's accounting firm, will be included in the calculation of Operation and Maintenance Expenses. During the term of this Agreement, KWSC will not seek relief from the auditor fees (so long as they are reasonable and necessary) charged to CTWSC for its annual audit or reasonable and necessary accounting fees.

5. Except to the extent of the amendments as expressly stated herein, the WWS Contract is not amended in any manner.

Executed on this ___ day of March, 2020.

**CENTRAL TEXAS WATER SUPPLY
CORPORATION**

By: John R. Whitson
Its: President

**KEMPNER WATER SUPPLY
CORPORATION**

By: Richard R. [Signature]
Its: President