

**RESOLUTION ADOPTING
POLICY REGARDING NON-POTABLE WATER USE**

WHEREAS, Harris County Municipal Utility District No. 500 in its master district capacity (the "District") is a conservation and reclamation district and political subdivision of the State of Texas, organized as municipal utility district under the provisions of Article XVI, Section 59, Texas Constitution, and operating under the provisions of Chapters 49 and 54, Texas Water Code, as amended;

WHEREAS, the District is a master district providing regional facilities to serve its service area, including the areas of the District, Harris County Municipal Utility District No. 501, Harris County Municipal Utility District No. 502, and Harris County Municipal Utility District No. 503 (collectively, the "Service Area"); and

WHEREAS, the District was created and organized, among other purposes, for the purpose of irrigation within the Service Area, the controlling, storing, preserving and distributing the storm and flood waters of the Service Area, the reclamation and drainage of the land located within the Service Area, and storm water quality within the Service Area; and

WHEREAS, the District owns or will own certain non-potable water facilities in its master district capacity, that include storage ponds within the Service Area (the "Storage Facilities"), irrigation pump stations ("Irrigation Pump Stations") and certain non-potable water trunklines (the "Trunklines") (all of the facilities described in this paragraph are referred to herein collectively as the "Non-Potable Water Facilities"), that, among other purposes, enable the District to provide non-potable water; and

WHEREAS, some or all of the Non-Potable Water Facilities are (or may be in the future) able to provide non-potable water that is comprised of storm water, groundwater, and/or treated wastewater treatment plant effluent (collectively, "Non-Potable Water"); and

WHEREAS, with respect to Non-Potable Water irrigation systems located on tract(s) located within the Service Area or within the boundaries of the Towne Lake Community Association ("Tract(s)") that are owned or controlled by users within the boundaries of the Service Area, the District has determined that it is beneficial and necessary to allow connection of such irrigation systems to the Trunklines and to supply Non-Potable Water to same; and

WHEREAS, a user of Non-Potable Water is referred to herein as a "User"; and

WHEREAS, the District desires to adopt a Policy Regarding Non-Potable Water Use (the "Policy"); Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 500 THAT:

Section 1: The recitals and facts set forth above are hereby found to be true and correct.

Section 2: The Board of Directors of the District hereby adopts the Policy described below. After the District receives a written request from a User for Non-Potable Water, and to the extent Non-Potable Water is then available as determined by the District, the District may enter into a written agreement (an "Agreement") with a User to provide, among other terms, that:

(a) User may connect an irrigation system located on a Tract owned or controlled by such User to the Trunklines owned by the District, and the District may require that all connections be made by a representative of the District;

(b) User, at its sole cost and expense, and in accordance with all rules, regulations, and requirements of the District, shall (i) acquire land or rights-of-way for the construction of the irrigation system(s) needed for the User, including for the construction of each line necessary to connect to the Trunklines owned by the District at the point(s) of connection that are designated by the District ("User's Non-Potable Water Line(s)"); (ii) design and construct the User's Non-Potable Water Lines;

(c) Each User shall pay the District a connection fee equal to \$5,000, which fee may be adjusted by the District from time to time;

(d) The District may inspect all facilities constructed by User at User's sole cost and expense;

(e) User shall maintain general liability insurance coverage in a per occurrence amount equal to \$1,000,000 or greater at all times during the term of the Agreement and User shall cause the District to be added as an additional insured and provide a waiver of subrogation in favor of the District;

(f) User shall provide an indemnity to the District in a form acceptable to the District;

(g) For the Non-Potable Water used by the User, User shall be responsible to pay the District a base monthly fee of \$2,000 (includes Non-Potable Water usage up to 3,000,000 gallons per month), plus a monthly fee for Non-Potable Water usage exceeding 3,000,000 gallons according to a per 1,000 gallon rate that is equal to \$0.30 per 1,000 gallons of water used, which rate and base monthly fee may be adjusted by the District from time to time;

(h) The District does not guarantee the availability, quantity, quality, or pressure of Non-Potable Water; and

(i) User shall not re-sell Non-Potable Water to: (i) land located outside of the Tract that is owned or controlled by such User, or (ii) any person or entity other than the User.

Section 3: Notwithstanding any provision hereof, the District reserves the right to: (i) include any terms or provisions whatsoever in an Agreement that are mutually acceptable to a User and the District, and (ii) modify this Policy at any time.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED BY HARRIS COUNTY MUNICIPAL UTILITY DISTRICT
NO. 500 this 5th day of August, 2015.

Marilyn Roberts
President, Board of Directors

ATTEST:

D. J. Schell
Secretary, Board of Directors

(SEAL)

