

**TREATED WATER SUPPLY CONTRACT BETWEEN
THE CITY OF CORPUS CHRISTI
AND
VIOLET WATER SUPPLY CORPORATION**

**THE STATE OF TEXAS §
 §
COUNTY OF NUECES §**

This Contract for the supply of treated water, made as of this _____ day of _____, 2013, by and between the City of Corpus Christi ("City"), a Texas home-rule municipal corporation, whose address is P.O. Box 9277, Corpus Christi, Texas 78469-9277, and acting through its duly authorized City Manager, or the City Manager's designee ("City Manager), which owns a regional water supply system that provides untreated raw water and treated water to municipal and industrial customers, and Violet Water Supply Corporation ("Violet"), a water supply corporation, organized under Article 1434a, V.A.T.S., for the purpose of constructing, including making extensions from time to time, and operating a water supply distribution system serving water users within the area described in plans on file at its office and Corpus Christi's office, which area is outside of, but adjacent to, Corpus Christi, acting by and through its duly authorized representative ("Violet's Representative").

This Contract supersedes and replaces the treated water contract dated March 12, 1977, between the parties to this Contract; and is the only agreement of the parties relating to the sale, delivery, and use of treated water. Any prior understandings or written or oral agreements between the parties relating to the sale and use of treated water are superseded by this contract.

Violet wants to continue to divert and use treated water for resale for municipal purposes, and the City desires to continue allowing or otherwise facilitating the delivery and use of treated water to Violet.

In consideration of the above recitals and the mutual promises, covenants, and agreements in the Contract, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

- 1. Term.** This Contract becomes effective on the date of final approval of this Contract, and continues in force and effect for a period of forty (40) years.
- 2. Use and Quantity of Water.**
 - a.** The City agrees to sell potable treated water, meeting Federal and State standards, to Violet and allow Violet to resell treated water for municipal and industrial purposes in such quantity as may be required by Violet, but not exceeding a total of 10,000,000 gallons per month.

b. However, if an emergency situation arises, the City may deliver additional treated water. The City's Director of Water Operations will determine how long the extra deliveries will last and the rate at which deliveries will be increased.

c. Except as provided in subparagraph 2.b., if Violets projected need for treated water exceeds 10,000,000 gallons per month, then in that event, Violet will notify the Director of Water Operations of Violet's needs at least 90 days prior to the date on which the increased deliveries are needed. The Director of Water Operations, in his or her sole discretion, will determine whether there is sufficient capacity within the system to allow an increased rate of delivery after considering the City's planned needs and the needs of its other water customers. The Director of Water Operations, in his or her sole discretion, will determine whether water can be delivered at an increased rate and the rate to which deliveries will be increased, and notify Violet's Representative of the decision.

d. Violet may request an increase in the amount of treated water delivered in a year based on the extent of the uncommitted water available. The City will consider the City's planned needs, the needs of its other water customers, and the needs of other communities in the region before committing to any increase in Violet's annual deliveries. However, the City is under no obligation to authorize an increase in the annual deliveries. In the event an increase in the annual deliveries is authorized, this contract must be amended in writing to show the amount of increased deliveries.

e. Actual current and projected future deliveries are shown on Exhibit "A-1" attached to and incorporated into this Contract.

f. Actual deliveries within the last 3 years are shown on Exhibit "A-2"

3. Point of Delivery. Title to and possession of the treated water passes to Violet at the point of delivery. The City will deliver the treated water to the existing delivery points located on State Farm to Market 24 (Violet Road), at or near the city limits of Corpus Christi, and on State Farm to Market 1694 (Callicoate Road) near the intersection with Meadow Lane. The treated water will be delivered at the minimum pressure operating pressure required by the Texas Commission on Environmental Quality ("TCEQ").

4. Measurement of Treated Water.

a. The treated water delivered under this Contract must be measured in U.S. standard gallons by a suitable water meter or meters to be installed and maintained by the City at the point of delivery, which shall be accurate within 2%, either plus or minus. The City's Director of Water Operations may specify the type of meter or meters to be used and the installation design of the meter or meters. Checks as to the accuracy of the meter or meters will be made annually by the Director of Water Operations, at Violet's sole expense. The City's Director of Water Operations will notify Violet's Representative in writing 10 days in advance of all annual checks and tests in order that Violet may have a representative present as a witness. If Violet's Representative fails for any reason to be present for a check, the City may nevertheless proceed with the test and the City's findings shall be conclusive. The City shall notify Violet of the results,

if the Violet Representative is not present.

- (1) If either the City's Director of Water Operations or Violet's Representative, at any time, notifies the other that it desires a special test of any meter, the parties will cooperate in arranging for a special test to be made by the City.
- (2) The expense of the special test of the meter or meters will be paid by the party requesting the test.
- (3) If, on any test, the meter tested is found to be inaccurate by an amount exceeding 2%, either plus or minus, then any previous readings of the meter will be credited for any period of inaccurate measurement, but no credit will extend back over a period beginning more than 30 days prior to the time when the inaccuracy was first made known by either party to the other.
- (4) If, for any reason, the meter or meters are out of service so that the volume of treated water delivered cannot be ascertained or computed, the treated water delivered during the period the meter or meters are out of service will be estimated by the City's Director of Water Operations, in consultation, with Violet's Representative, upon the basis of the best data available.

b. The City will read the meter or meters on or about the last day of each month and will determine from these readings the amount of treated water delivered to Violet. All meter readings will be made available to Violet's Representative during the City's reasonable office hours.

5. Price of Treated Water.

a. The price to be charged for treated water sold by the City to Violet is the published Resale for Treated Water Rates established by City ordinance, including the monthly minimum charge for a treated water customer, plus the raw water cost adjustment ("RWCA") which are in effect at the time of delivery. The RWCA will be calculated on a monthly basis, and determined by dividing the most recently available costs of raw water by the system-wide average volume of untreated raw water sales for the prior twelve month period. The RWCA will be adjusted on a monthly basis to account for differences in volumes used in the prior calculation and the actual volume of water sales for that month. A copy of the current water rate and raw water cost adjustment ordinance is attached as Exhibit "B". Changes in the raw water cost adjustment are automatic, and Violet will be billed the adjusted rate. The ordinance is subject to change at the sole discretion of the Corpus Christi City Council. City's Director of Water Operations will provide Violet's Representative with a copy of any modifications to the ordinance, which will be attached to this Contract as the new Exhibit "B-1".

b. The actual methods for computing the untreated raw water cost adjustment is established in a written policy filed with the City Secretary. A copy of the

current policy is attached as Exhibit "C". The City's Director of Water Operations will provide Violet's Representative with a copy of any modifications to the policy, which will then be attached to this Contract as the new Exhibit "D".

c. When the City intends to change the rate, the City shall give Violet notice of the proposed change, and any information necessary to evaluate the proposed rate ninety (90) days before the change is to take effect. Violet shall give good faith consideration to the proposed new rate and shall attempt to provide the City with its comments on the proposed change not later than forty-five (45) days before the proposed change is to take effect. The City shall give good faith consideration to Violet's comments, but may institute the new rate on the date the change is scheduled to take effect.

d. The parties agree and acknowledge that the City is evaluating, going forward, implementing consistent wholesale contract provisions such as supply limits, limitations on maximum supply, peaking limitations, resale provisions, development of other supply provisions, etc. so that wholesale contract provisions conform to city policy and are consistent among all of the wholesale parties. To the extent that the City defines and interprets policy, and adopts, in order to implement that policy, provisions relating to a maximum supply limit, a supply limit rate, a capacity reserve, a minimum charge related to the extent of the reservation, a peaking limitation, limitations on the ability to resell water, etc., the parties agree to consider implementing those contract provisions under Section 24 of this contract, to the extent such provisions are reasonable and fair to both parties.

e. In no event may any provision in this Contract be interpreted to exempt Violet from any ordinance passed by the City Council.

6. Fixed Minimum Obligation.

a. Violet is not obligated to purchase any minimum amount of treated water in any billing month during the period of this Contract or any renewals or extensions thereof, but Violet must pay the City the minimum monthly charge for commercial metered treated water customers under the City's water rate ordinance, regardless of whether any treated water is used.

b. If the payment due the City from Violet for treated water withdrawn during the billing period under consideration exceeds the minimum, then payment must be made for the amount of water billed by the City to Violet.

c. If the payment which would be due on the basis of treated water delivery is less than the minimum, then said minimum is nevertheless the amount due. This minimum amount is intended to cover the cost of meter readings, testing, billing, and other costs, which will continue whether any treated water is withdrawn by Violet.

7. Billing.

a. All treated water taken in any one calendar month will be billed between the first and tenth of the next succeeding calendar month, and Violet will pay the bill within 10 days of the receipt of the bill. Any clerical error in the bill or question regarding

the bill is not sufficient grounds to delay payment by Violet to the City. Any adjustments in the amount paid as a result of the agreement will be added to or deducted from the following month's bill.

Any failure by Violet to pay the monthly billing within 30 days after the billing date is a "default" under Section 19 of this Contract. In the event it becomes necessary to collect the charges, through any Court procedure, the City is entitled to also recover reasonable attorney's fees. If Violet fails to pay its water bills, the City, at its discretion, may terminate this Contract in its entirety, require the payment in advance of each monthly water bill based on Violet's previous bill plus a deposit, as a condition to furnishing treated water to Violet, or avail itself of any other legal remedy. Violet, its officers and directors, and the City, its officers, members and administrative staff each recognizes that there are many advantages to using mediation to settle any and all legal disputes and claims, including, but not limited to, disputes over the billing for water provided by the City to Violet pursuant to this agreement. For many reasons, lawsuits and court actions are disadvantageous to both Violet and the City and that the many benefits and advantages to all parties include: speed of process, cost effectiveness, use of trained and professional problem solvers, privacy and confidentiality, and complete due process and fairness to all parties. In consideration of these many benefits and other consideration, Violet and City have agreed that disputes between the parties arising out of this agreement shall be governed by alternate dispute resolution of all claims and disputes between them. Any claim or dispute between Violet and City arising out of this agreement shall be resolved, as follows: (1) by attempting settlement by mediation, under the Mediation Rules set forth in Chapter 154 of the Texas Civil Practice and Remedies Code, with the mediator being selected by agreement of the parties or by request for appointment of a mediator made to the senior United States District Judge for the Southern District of Texas, Corpus Christi Division, if the parties cannot agree on a mediator.

8. Restrictions on Resale.

a. Violet is strictly prohibited from selling the treated water obtained under this contract to any customer for resale of the water to others. Violet is prohibited from selling water under any other name other than the Violet Water Supply Corporation. Violet agrees to provide in every customer contract the following language, to be made conspicuous with uppercase type font or bolded with text at least one font-size larger than the surrounding text: YOU ARE STRICTLY PROHIBITED FROM SELLING ANY WATER PROVIDED TO YOU UNDER THIS AGREEMENT BY THE VIOLET WATER SUPPLY CORPORATION

9. Alternative Supplies.

a. Nothing in this Contract prohibits Violet from obtaining treated water from sources other than the City.

b. Before Violet commingles waters from different sources within its

distribution system, Violet shall notify City's Director of Water Operations. The City's Director of Water Operations may require Violet to install an appropriate backflow prevention device at all points where Violet's water distribution system connects with the City's water distribution system.

10. Water Rights.

a. It is mutually agreed and understood that Lake Corpus Christi and Choke Canyon Reservoir waters, any currently developed ground water, water acquired by the City from the Lavaca-Navidad River Authority, water rights obtained from the Garwood Irrigation Company, and other future waters, whether surface waters or ground waters, obtained by the City, which are not under Contract to others, and which are owned by the City, may be used to supply water during the time this Contract remains in force.

b. This Contract is subject to the City's responsibility and obligation to provide water to municipal and industrial consumers within the Corpus Christi city limits and other municipal and industrial consumers outside its city limits.

c. Subject to Section 13, Water Conservation and Drought Contingency Measures, and subject to the City's obligations under any Agreed Orders, or any Environmental Protection Agency ("EPA") or Texas Commission on Environmental Quality ("TCEQ") requirements or standards, to be interpreted and determined solely by the City, the City binds and obligates itself, however, to take the necessary actions within its power and to make the necessary applications to obtain whatever additional water rights as may be necessary to adequately meet the needs of its existing contracts, this Contract, and any future contractual obligations of the City, and, if requested by the City, Violet shall support the City's action, in the manner requested by the City.

d. It is also mutually agreed and understood that this Contract is subject to the jurisdiction of the Texas Commission on Environmental Quality ("TCEQ"), any successor agency, or any other regulatory authority that may have jurisdiction over the matters.

e. Violet agrees to support any future City requests to the TCEQ or other regulatory authorities for permission to acquire or amend its water rights or provide water to the Violet and other customers, unless such action would adversely affect Violet.

f. City agrees to support any Violet requests to TCEQ or other regulatory authorities for permission to distribute treated water purchased by Violet from the City under this Contract.

11. Violet's Storage and pumping Requirements.

a. Any storage facilities must be built and maintained to standards adopted by Corpus Christi, the TCEQ, or any other regulatory authority. If there is a conflict between standards, the City's standards shall apply.

b. Pump intakes connected directly to the Violet's water lines or Corpus

Christi's supply main are prohibited.

c. The transmission and distribution piping construction and operation downstream from the City's meters serving Violet shall meet the requirements of the TCEQ; Rural Development, United States Department of Agriculture; and any other governmental agency having jurisdiction. If there is a conflict between standards, the most stringent standards shall apply. Violet shall submit copies of plans for all extensions of its transmission and distribution system to the City for review prior to awarding any contracts.

d. Violet shall institute a program to control unaccounted for water losses consistent with the requirements of the City, as directed by the Director of Water Operations. The Director of Water Operations may request, at any time, that Violet submit its Water Loss Control Program for approval. Within 30-days of such request, Violet shall submit to the Director of Water Operations a plan of action for instituting a Control Program, approval of which the City shall not unreasonably withhold. The failure of Violet to comply with this Section of the Contract is a "default" under Section 16 of this Contract. The parties agree to confer and coordinate to assist Violet, in Violet's efforts insure that its Water Loss Program is consistent with the City's requirements.

e. Violet agrees that Corpus Christi has the right to inspect its system at any and all times during normal business hours. If Violet's system or any portion thereof does not meet TCEQ's standards for an interim rural water supply, Violet shall bring its system, or any portion of its system, up to TCEQ's standards.

12. Corpus Christi's Right to Sell Treated Water. The City, with the express written consent of the Board of Directors of Violet, retains the right to sell treated water at points and to customers located within and outside Violet's service area In Violet's Certificate of Convenience and Necessity, consistent with applicable law. The City shall not execute any plans for new service extensions within Violet's service area unless and until it obtains the Board of Directors of. Violet's consent to provide said service.

13. Water Conservation and Drought Contingency Measures.

a. Violet acknowledges the terms of the TOED Agreed Order of April 28, 1995, which amended the operational procedures relating to Special Condition 5.B, Certificate of Adjudication No. 21-3214, and the City's responsibilities under both the Agreed Order and the Certificate of Adjudication. Violet recognizes that the Agreed Order and Certificate of Adjudication may be amended in the future. The agreed order requires the City to provide in any future contracts or any amendments, modifications, or changes to existing contracts the condition that all wholesale customers and any subsequent wholesale customers must develop and have in effect a water conservation and drought management plan consistent with the City plan as required by the TCEQ rule. Therefore, Violet agrees that during the term of this contract, it shall have in effect a water conservation and drought management plan consistent with the City's plan, including any changes adopted by the City. Violet also agrees to bind future customers

and its existing customers upon contract renewals to develop and have in effect a water conservation and drought management plan consistent with the City plan.

b. If the City implements any measures under its Water Conservation and Drought Contingency Plan, adopted under Section 55-156 of the Code of Ordinances for the City of Corpus Christi, Violet shall within 30 days of notice of any changes to the plan or the implementation of any restrictions, surcharges, or rationing by the City, impose similar restrictions, surcharges, or rationing measures on its customers. Any contract for the resale of water furnished by Violet shall contain a similar condition. If for whatever reason Violet, or its customer, is unable or unwilling to impose the required restrictions, surcharges, or rationing measures within the required time period, Violet, or its customer, shall reduce its consumption of water from the system as follows:

(1) During Condition I -- Water Shortage Possibility, deliveries from the system shall be reduced by 10% from the average deliveries for the same month of the year over the previous three years.

(2) During Condition II -- Water Shortage Watch, deliveries from the system shall be reduced by 20% from the average deliveries for the same month of the year over the previous three years.

(3) During Condition III -- Water Shortage Warning, deliveries from the system shall be reduced by 30% from the average deliveries for the same month of the year over the previous three years.

(4) During Condition IV -- Water Shortage Emergency, deliveries from the system shall be reduced by 60% from the average deliveries for the same month of the year over the previous three years.

c. If for whatever reason Violet, or its customer, is unable or unwilling to impose the required restrictions, surcharges, or rationing measures within the required time period, but relies upon other sources of water for all or a portion of its water requirements, Violet, or its customer, agrees not to request an increase in the amount of water being diverted from the system should Violet's, or its customer's, other source(s) of water fail to continue to yield the amounts of water anticipated.

d. To the extent that the TCEQ or other regulatory agency requires rationing of water in a manner stricter than that imposed by the City, Violet will comply with the stricter method of rationing water.

e. Violet shall furnish a copy of any ordinances, orders, or rules adopted by it or its customers that is adopted to implement the required restrictions, surcharges, or rationing measures within the applicable jurisdiction. If for whatever reason Violet, or its customer, is unable or unwilling to impose the required restrictions, surcharges, or rationing measures, the City may audit the records of Violet to ensure that Violet or its customer has reduced its deliveries by the amount required by this Section.

f. The failure of Violet to comply with this Section of the Contract is a

"default" under Section 16 of this Contract.

g. Upon Violet's failure to cure a default of this Section 13, provided the City has provided Violet with written notice of the default and an opportunity to cure within a period of not less 30 days, the City is authorized to reduce its deliveries of water to Violet if Violet or its customer has not, in the sole opinion of the City, adequately imposed restrictions under this Section of the Contract.

14. Force Majeure. If the City or Violet is prevented, wholly or in part, from fulfilling its obligations under this Contract by reason of circumstances both beyond its reasonable control and unforeseeable, including any act of God, unavoidable accident, acts of enemies,, fires, floods, rationing, governmental restraint or regulation, other causes of force majeure,, then the obligations of City or Violet, as provided in this Contract, are temporarily suspended during continuation of the force majeure. This section does not extend to any default or failure to perform due to labor shortages or strikes or economic hardship. If a party's delay in performance is excused under this section, the delay will only be for the period the party was actually delayed in performance by the event outside of its reasonable control. No damage is recoverable by Violet from City by reason of the temporary suspension of delivery of water due to any of the causes above mentioned. If the City's obligation is affected by any of the causes, the City will promptly notify Violet's Representative in writing, giving full particulars of the force majeure as soon as possible after the occurrence of the cause or causes relied upon.

15. Resolution of Rate Disputes. In the event of any dispute as to the rates being charged, the City and Violet agree that the dispute will be appealed to the TCEQ, under applicable TCEQ rules, to the extent that the TCEQ has jurisdiction over the issue. The City and Violet agree to cooperate to satisfy any jurisdictional requirements that the TCEQ may require for it to determine the rate. In the event that the TCEQ or another dispute resolution agency of the State of Texas falls or refuses to hear an appeal of the wholesale water rate charged by the City, then, in that event, Violet can contest the proposed wholesale water rate in the appropriate court in Nueces County, Texas.

16. Violet's Right to Terminate. If Violet's need for water from the City should cease for a period of at least 30 days, Violet may, by giving 30 days written notice to City, by certified mail, terminate this Contract in its entirety. If Violet actually gives the City written notice, then, in that event this Contract expires 30 days from the date the notice is mailed to City and this Contract and all of its provisions shall become null and void.

17. Remedies Upon Default.

a. If either party determines that the other party is in default under this Contract, the party claiming default by the other party shall give written notice to the other party, which states specifically the nature of the default and the remedy for the default that the party intends to seek. The notice must be mailed to the defaulting party at the address provided in Section 24 of this Contract. The defaulting party has or will have ninety (90) days in which to cure the default, or if the default cannot be reasonably

cured within the ninety (90) day period, the defaulting party shall use reasonable efforts to undertake to cure the default within the ninety (90) day period. If the defaulting party does not cure the default and reimburse the party not in default for any and all costs incurred as a result of the breach within ninety (90) days, or if the default cannot be reasonably cured within the ninety (90) day period, or if the defaulting party does not use reasonable efforts to undertake to cure the default and reimburse the party not in default for any and all costs incurred as a result of the breach within the ninety (90) day period, the party claiming default may seek any remedy available at law or equity, including an action in mandamus or for specific performance.

b. No waiver of any breach or default by any party or of performance may be deemed a waiver in the future, nor may any waiver be deemed or construed to be waiver of subsequent breach or default of any kind, character, or description, under any circumstances.

c. However, the right to cure a default may not prevent the City from enforcing Section 13 of this Contract if the City has imposed water conservation measures upon its residents.

18. Assignment. This Contract may not be assigned by Violet without the prior written consent of the governing body of the City, which consent will not be unreasonably withheld, unless the assignment would alter or restrict the City's rights under this Contract. Notwithstanding the above and forgoing, the City agrees that Violet may pledge this Contract as security for a loan with the United States Department of Agriculture, Rural Development Division, to be used for the installation of water lines within the certificated area of Violet as set forth in its Certificate of Convenience and Necessity numbered 10920, issued by the Public Utility Commission of Texas.

19. Non-Curable Material Breach by Violet. Each of the following is a non-curable breach under this Agreement:

- a. any representation or warranty of Violet contained herein that is knowingly false or misleading in any material respect as of the date made or deemed to have been made; or
- b. Violet (1) admits in writing its inability to pay its debts as they become due or (2) file a petition in bankruptcy or for the reorganization or for the adoption of an arrangement under the Bankruptcy Code as now or in the future amended, or file a pleading asking for such relief, or have or suffer to be filed an involuntary petition in bankruptcy against it which is not contested and discharged within sixty (60) days, or (3) make an assignment for the benefit of creditors, or (4) consent to an appointment of a trustee or receiver for all or a major portion of its property, or (5) be finally adjudicated a bankrupt or insolvent under any federal or state law, or (6) suffer the entry of a court order, any federal or state law appointing a receiver or trustee for all or a major part of its property or ordering the winding up or liquidation of its affairs, or approving a petition filed against it under the Bankruptcy Code, as now or in the future amended, which order, if not

consented to by it shall not be vacated, denied, set aside or stayed within sixty (60) days after the date of its entry, or (7) suffer the entry of a final judgment for the payment of money and the same shall not be discharged or a provision made for its discharge within thirty (30) days from the date of entry thereof or an appeal or other appropriate proceeding for review thereof shall not be taken within said period and a stay of execution pending such appeal shall not be obtained, or (8) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property and such writ or warrant of attachment or similar process is not stayed or is not released within forty-five (45) days after its entry or levy or after any stay is vacated or set aside, or (9) suffer the placing of a judgment lien on its property and failure to cause such lien to be released and discharged within forty-five (45) days from the date such lien took effect; or

c. Violet conceals, removes or permits to be concealed or removed, any part of its property with the intent to hinder, delay or defraud its creditors or shall make any transfer of any of its property to, or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or suffer or permit while insolvent any creditor to obtain a lien upon its property through legal proceedings, which lien is not vacated within thirty (30) days from the date thereof; or

d. Violet:

1. fails to make payment to the City for any month or period of time;
2. sells water to any customer for resale;
3. fails to notify the City of any customer who resells water obtained under this Contract; or
4. fails to follow Sections 7, 8, 11 or 13 of this Contract.

20. INDEMNITY. VIOLET COVENANTS AND AGREES TO **HOLD HARMLESS AND SHALL UNCONDITIONALLY INDEMNIFY, PROTECT AND DEFEND THE CITY, ITS ELECTED OFFICIALS, EMPLOYEES, OFFICERS, DIRECTORS, VOLUNTEERS AND REPRESENTATIVES OF THE CITY, INDIVIDUALLY OR COLLECTIVELY, FROM AND AGAINST ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, ACTIONS, LIABILITIES, LIENS, LOSSES, DAMAGES, COSTS AND EXPENSES, OF EVERY KIND AND CHARACTER WHATSOEVER, INCLUDING WITHOUT LIMITATION BY ENUMERATION THE AMOUNT OF ANY JUDGMENT, PENALTY, INTEREST, COURT COSTS AND REASONABLE LEGAL FEES INCURRED IN CONNECTION WITH THE SAME, OR THE DEFENSE THEREOF, FOR OR IN CONNECTION WITH LOSS OF LIFE OR PERSONAL INJURY (INCLUDING EMPLOYEES OF VIOLET AND OF CITY) DAMAGE TO PROPERTY (INCLUDING PROPERTY OF VIOLET AND OF CITY), TO THE EXTENT CAUSED BY THE NEGLIGENT ACTS OR OMISSIONS OF, OR INCIDENT TO OR IN CONNECTION WITH OR RESULTING FROM THE NEGLIGENT ACTS OR OMISSIONS OF, VIOLET, ITS AGENTS, SERVANTS, AND EMPLOYEES, OR ITS SUBCONTRACTORS AND THEIR AGENTS, SERVANTS, AND EMPLOYEES, IN**

CONNECTION WITH THIS AGREEMENT AND THE WATER TO BE SUPPLIED UNDER THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY INCLUDED HEREIN, IN NO EVENT MAY THIS OR ANY PARAGRAPH UNDER THIS AGREEMENT BE CONSTRUED AS WAIVING ANY GOVERNMENTAL IMMUNITY AVAILABLE TO THE CITY UNDER TEXAS LAW AND WITHOUT WAIVING ANY DEFENSES OF EITHER OF THE PARTIES UNDER TEXAS LAW.

IN ADDITION TO THE ABOVE, VIOLET ALSO COVENANTS AND AGREES TO **HOLD HARMLESS** AND SHALL UNCONDITIONALLY **INDEMNIFY, PROTECT AND DEFEND** THE CITY, ITS ELECTED OFFICIALS, EMPLOYEES, OFFICERS, DIRECTORS, VOLUNTEERS AND REPRESENTATIVES OF THE CITY, INDIVIDUALLY OR COLLECTIVELY, FROM AND AGAINST ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, ACTIONS, LIABILITIES, LIENS, LOSSES, DAMAGES, COSTS AND EXPENSES, OF EVERY KIND AND CHARACTER WHATSOEVER, INCLUDING WITHOUT LIMITATION BY ENUMERATION THE AMOUNT OF ANY JUDGMENT, PENALTY, INTEREST, COURT COSTS AND REASONABLE LEGAL FEES INCURRED IN CONNECTION WITH THE SAME, OR THE DEFENSE THEREOF, FOR OR IN CONNECTION WITH LOSS OF LIFE OR PERSONAL INJURY (INCLUDING EMPLOYEES OF VIOLET AND OF CITY) DAMAGE TO PROPERTY (INCLUDING PROPERTY OF VIOLET AND OF CITY), TO THE EXTENT CAUSED BY THE INTENTIONAL OR DELIBERATE MISCONDUCT, GROSSLY NEGLIGENT, WILLFUL ACTS OR OMISSIONS OF, VIOLET, ITS AGENTS, SERVANTS, AND EMPLOYEES, OR ITS SUBCONTRACTORS AND THEIR AGENTS, SERVANTS, AND EMPLOYEES, IN CONNECTION WITH THIS AGREEMENT AND THE WATER TO BE SUPPLIED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO VIOLATIONS OF ANY STATUTE, REGULATION, ORDINANCE OR PROVISION OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY INCLUDED HEREIN, IN NO EVENT MAY THIS OR ANY PARAGRAPH UNDER THIS AGREEMENT BE CONSTRUED AS WAIVING ANY GOVERNMENTAL IMMUNITY AVAILABLE TO THE CITY UNDER TEXAS LAW AND WITHOUT WAIVING ANY DEFENSES OF EITHER OF THE PARTIES UNDER TEXAS LAW.

21. Authority to Execute. Both parties represent that the individual signing this Contract on behalf of each of the parties has been duly authorized to execute this Contract by proper ordinance or resolution of its governing body (e.g., the City's City Council and Violet's Board of Directors), and certified copies of the authorization shall be Exhibit "D," and Violet's authorization shall be Exhibit "E."

22. Notices and Addresses. Any notice, communication, or statement required to be given pursuant to this Contract will be in writing and deemed to have been received when delivered in person or three (3) days after mailing if sent by certified mail, postage prepaid, return receipt requested, to the address of the respective party indicated below:

City of Corpus Christi Water Department
Attn.: Director of Water Operations
2426 Holly Road
Corpus Christi, Texas 78415
Phone: (361) 826-1689
Fax: (361) 826-4326

Violet Water Supply Corporation
Attn.: Violet Manager
P.O. Box 1146
3051 highway 44
Robstown, Texas 78380
Phone: (361) 387-3350
Fax: (361) 387-5248

23. Regulatory Agencies. Violet and City agree that the effectiveness of this Contract is subject to the jurisdiction of the TCEQ and is dependent upon compliance with the regulations in Title 31, Texas Administrative Code, Chapter 295 and 297, Subchapter J., and any amendments thereto.

24. Periodic Review of Contract Provisions. Violet and the City agree to review the terms and conditions set forth herein every five (5) years to determine whether or not a change in circumstances may require an amendment to this agreement. If a party determines that a change in circumstances requires an amendment then, in that event, the party recommending the amendment shall notify the other party in writing of the proposed amendment. The receiving party shall then have a period of thirty (30) days to review the proposed amendment and to advise, in writing either its acceptance of the proposed amendment, its objections to the proposed amendment or an offer of a counterproposal. In the event the parties are unable to agree on a proposed amendment, then, in that event, the parties agree to submit to the alternate dispute resolution process set forth in **Paragraph 7. Billing**, as set forth hereinabove.

25. Severability. In case any one or more provisions contained in this Contract is for any reason held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability does not affect any other provision of this Contract, and this Contract will be construed as if the invalid, illegal, or unenforceable provision had never been contained in this Contract.

26. Captions. All titles of the sections of this Contract have been inserted for convenience of reference only and are not considered a part of this Contract and in no way will they affect the interpretation of any provisions of this Contract.

27. Modifications. Any amendments, or alternative or supplementary agreements, to this Contract must be made in writing and duly executed by an authorized representative or agent of each of the parties to this Contract.

28. Parties at Interest. This Contract is for the sole and exclusive benefit of the parties, and shall never be construed to confer any benefit on any third party. This Contract will be binding upon and inure to the benefit of the parties and their respective

successors and assigns where permitted by this Contract.

29. Texas Law to Apply. This Contract will be construed under and in accordance with the laws of the State of Texas.

30. Venue. Any action or proceedings relating to this Contract must be taken in Nueces County, Texas. The parties agree that the courts in Nueces County, Texas, shall have exclusive jurisdiction over this agreement.

31. Prior Agreements Superseded. This Contract constitutes the sole and only agreement of the parties and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.


32. All Agreements Contained in this Written Instrument. This Contract represents the entire agreement between the Violet and City and supersedes all prior negotiations, representations, or agreements either oral or written.

The parties have executed this Contract in multiple counterparts; each executed copy shall be considered as an original, by their respective duly authorized representatives, this _____ day of _____, 2013 and is effective on the _____ day of _____, 2013.

"VIOLET"

ATTEST

VIOLET WATER SUPPLY CORPORATION

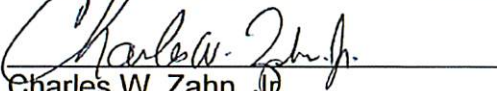


Sam Morris
Secretary



William Ordner
President

APPROVED this 15th day of March, 2013.



Charles W. Zahn, Jr.
Violet's Attorney

ACKNOWLEDGMENT

THE STATE OF TEXAS §
 §
COUNTY OF NUECES §

This instrument was acknowledged before me on the 15th day of March, 2013, by William Ordner, President, Violet Water Supply Corporation, a water supply corporation, on behalf of said corporation.



NOTARY PUBLIC – STATE OF TEXAS

THE "CITY"


ATTEST:

THE CITY OF CORPUS CHRISTI

Armando Chapa
City Secretary

Oscar Martinez
Assistant City Manager
for City Manager Ronald L. Olson

Approved as to legal form this 15th day of March, 2013.



Veronica Ocanas
Senior Assistant City Attorney
for City Attorney Carlos Valdez

ACKNOWLEDGMENT

**THE STATE OF TEXAS §
 §
COUNTY OF NUECES §**

This instrument was acknowledged before me on the _____ day of _____, 2013, by Oscar Martinez, Assistant City Manager for City Manager Ronald L. Olson, City of Corpus Christi, a Texas home rule municipal corporation, on behalf of said corporation.

NOTARY PUBLIC – STATE OF TEXAS

EXHIBIT "A-1"
TREATED WATER SUPPLY CONTRACT BETWEEN
THE CITY OF CORPUS CHRISTI
AND
VIOLET WATER SUPPLY CORPORATION
ACTUAL CURRENT AND PROJECTED FUTURE DELIVERIES

Actual current and projected future deliveries are located on:

1. State Farm to Market 24 (Violet Road), at or near the city limits of Corpus Christi;
and,
2. State Farm to Market 1694 (Callicoate Road) near the intersection with Meadow Lane.

EXHIBIT "A-2"

VIOLET WATER SUPPLY USAGE

	2012	2011	2010	2009
JANUARY	3998	3413	3471	4602
FEBRUARY	4043	4481	2872	4362
MARCH	4025	4959	3605	2909
APRIL	4654	6411	4629	5067
MAY	5773	5305	4542	4453
JUNE	6176	7388	5391	5963
JULY	7175	7868	6277	7782
AUGUST	6690	9184	4126	6906
SEPTEMBER	5677	4749	4855	4131
OCTOBER	4267	5064	3625	4114
NOVEMBER	5877	5128	4372	4157
DECEMBER	4066	4467	4907	4879

TOTALS 64433 70428 54682 61334