

WATER PURCHASE CONTRACT

This agreement (the "Agreement"), made and entered into this _____ day of _____, 2014, by and between The Public Works Authority for the Town of Canute, Oklahoma ("Canute") and The Public Works Authority for the City of Clinton, Oklahoma ("Clinton").

WHEREAS, on April 1, 2013, Canute and Clinton entered into a Memorandum of Understanding whereby Canute was to provide Clinton processed water from a reverse osmosis water treatment facility (the "MOU"); and

WHEREAS, Canute has incurred engineering expenses and related costs in complying with the terms and conditions of the MOU and has submitted to Clinton a summary of said costs. A dispute has arisen between Canute and Clinton regarding the amount of reimbursement that Clinton owes to Canute; and by way of compromise and settlement, Canute and Clinton have agreed to terminate the MOU and enter into this Agreement; and

WHEREAS, Canute has entered into Water Purchase Contracts with (i) The Davis 1986 Joint Revocable Trust (the "Davis Contract") and (ii) The Edward S. Greteman Revocable Living Trust dated September 17, 1996 and The Dolores Greteman Revocable Living Trust dated September 17, 2014 (the "Greteman Contract:"); and

WHEREAS, Canute has agreed to sell Clinton unprocessed water produced under the terms of the Davis Contract and/or Greteman Contract and Clinton has agreed to purchase unprocessed water from Canute under the terms and conditions set forth below.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, the parties agree as follows:

I. Termination of MOU.

Clinton agrees to pay Canute, on the date of execution of this Agreement, the sum of Eighty Thousand and No/100's Dollars (\$80,000.00). On receipt of said sum, the parties agree that the MOU shall be terminated and Canute and Clinton shall be released from any and all claims, actions, damages or expenses which may be claimed by either party relating to the MOU.

II. Water Production.

Canute agrees to supply Clinton unprocessed water under the terms set forth herein. The parties agree and acknowledge that the water to be provided under the terms of this Agreement shall be untreated and unprocessed water produced under the terms of the Davis Contract and/or the Greteman Contract. Canute makes no representations or warranties regarding the quality of the water to be provided to Clinton. Canute specifically does not represent the quality of the water as set forth by the regulations of the Oklahoma Department of Environmental Quality or the Environmental Protection Agency regarding current or future maximum contamination levels adopted by said agencies.

A. Water Well Facilities. Canute shall be responsible for all wellhead costs, including, but not limited to, well drilling costs, wellhead pumps, well pipe and the operation and maintenance of the water wells which provide water to Clinton. Canute shall maintain ownership and control of all water well facilities. Canute will provide Clinton water at a central transmission metered valve located at the Southwest corner of Section 31, Township 11 North, Range 19 W.I.M., Washita County, Oklahoma, (the "Transmission Point").

B. Location of Water Wells. It shall be Canute's sole discretion regarding the location and drilling of water wells on the tracts of real property covered by the Davis Contract and Greteman Contract. It shall be Canute's sole responsibility and expense to deliver unprocessed water to the Transmission Point, including the construction, maintenance and operation of water pipeline to deliver water to the Transmission Point.

C. Interconnection Facilities. It shall be Clinton's sole responsibility and expense to transport water from the Transmission Point to Clinton water treatment facilities, including, but not limited to the construction, operation and maintenance of water pipelines, pump stations, reservoirs and easement acquisition (the "Interconnection Facilities"). Canute grants to Clinton the right to lay its water pipeline(s) in the most direct route from the Transmission Point to the nearest public right of way. Any additional easement acquisition shall be Clinton's sole responsibility and expense. Clinton agrees to complete the construction of the Interconnection Facilities on or before June 1, 2015.

D. Take or Pay Provision. Canute agrees to provide and sell to Clinton a minimum of 500,000 gallons of unprocessed water per day commencing upon completion of the Interconnection Facilities. In the event Canute can provide Clinton unprocessed water at said minimum daily rate, then, in that event Clinton shall be obligated to pay Canute for 500,000 gallons of unprocessed water per day under the rates set forth herein regardless of whether Clinton elects to purchase less than 500,000 gallons of water per day. In the event Canute is unable to provide Clinton at least 500,000 gallons of unprocessed water per day, averaged over a 60-day period, Clinton shall have the right to cease the

purchase of water from Canute and initiate the provisions of subparagraph II(f) below.

E. Contact Information. Canute and Clinton shall each notify and keep the other informed of the name of the individual(s) in charge of operations of their respective systems.

F. Greteman Minimum Water Rates. The parties agree and acknowledge that subsection 4(B) of the Greteman Contract contains an acceleration clause for monthly minimum payments (\$3,000.00/mo) upon the commencement of production of water for sale to Clinton. The parties further agree and acknowledge that this provision is only applicable if water begins being produced and continues in production. Further, if the water ceases to be produced in amounts which exceed the required monthly minimum amount (Underproduction), Clinton will continue to pay the minimum purchase amount according to the following procedures:

(1) If prior to the 2 year Release date, provided for in Paragraph 5 of the Greteman Agreement, Clinton will pay \$2,310.00 per month of the minimum purchase amount and Canute will pay \$690.00 per month of the minimum purchase amount;

(2) If after the 2 year Release date, provided for in Paragraph 5 of the Greteman Agreement Clinton may require that the water production from the wells be immediately reduced to a volume equal to or less than \$1,999.00 in cost, and the Agreement shall be terminated under the provisions of Paragraph 5 of the Greteman Agreement, in the following month.

III. Facilities, Equipment Installation and Operation.

A. Clinton will provide, at its cost, the Interconnection Facilities necessary to transmit groundwater from the Transmission Point to Clinton's water facilities.

B. Clinton will be responsible for the operation and maintenance of the Interconnection Facilities.

C. Clinton shall provide any and all devices reasonably necessary for the purpose of controlling, measuring, transmitting and recording flows of the supply of water furnished, and for the transmitting and recording of pressures, reservoir levels and other required operational information.

D. Clinton will, at its own expense, operate, maintain, replace and improve the Interconnection Facilities as it deems necessary for delivery of groundwater to Clinton when and as required under this Agreement during the term of this Agreement.

E. Clinton agrees that Canute, at its own expense, may connect to the Interconnection Facilities any pumping station for the purpose of supplying water to Canute's distribution system provided that Clinton's right to receive 500,000 gallons of unprocessed water per day is not impaired.

F. Canute will be responsible for the drilling, operation and maintenance of the water well(s) that provide water to Clinton under the terms of this Agreement.

G. Canute will obtain all necessary permits, licenses, inspections, zoning, approvals and right-of-ways for the wells drilled or to be drilled relating to the Davis Contract and the Greteman Contract.

IV. Delivery.

A. Canute shall deliver groundwater at such time as Clinton shall have completed the construction of the Interconnection Facilities.

B. The Parties shall each notify the other as promptly as practicable of all emergencies, failures, malfunctions or other conditions in their respective system which may directly or indirectly affect the other party's system.

V. Reporting Requirements.

Canute shall submit on a monthly basis, by the 10th day of each month, a report showing the amount of unprocessed water delivered to Clinton at the Transmission Point for the previous month.

VI. Measurement.

A. The quantity of groundwater furnished to Clinton under this Agreement will be measured on the discharge piping at the Transmission Point. The unit of measurement shall be gallons of water, United States Standard Liquid Measure.

B. Clinton shall provide mutually acceptable meters for measuring the supply of water on the discharge side of the Interconnection Facilities, and mutually acceptable master meters for measuring the flow of water in the discharge headers from Interconnection Facilities pumping station. The master meters will be the primary devices used for the registration and billing of quantities of water supplied under this Agreement. All meters are to be adjacent to and readable in the Interconnection Facilities pumping station.

C. Clinton's representative will regularly inspect the meters measuring the supply of water furnished and at the expense of Clinton will repair or replace any part of a meter which has a total registration greater than the industry standards, or which has been in service for a period greater than the industry standard or which is known or suspected to be registering incorrectly. Canute shall check the master meter for accuracy semiannually.

D. The readings made for purposes of billing Clinton shall be made by Canute every calendar month. Weekly readings shall be transmitted to Clinton.

E. When it is determined that a measuring device registered incorrectly, an estimate of the amount of water furnished through the faulty device shall be prepared by Clinton and transmitted to Canute for the purpose of billing Clinton. The estimate shall be based upon the best available information, including summation of other available meter readings from Canute's water wells, the average of twelve preceding readings of the meter, exclusive of incorrect reading, and calibration of the master meter.

VII. Rates and Billing.

A. The charges for groundwater furnished to Clinton under this Agreement shall be at a fixed rate described below. These charges shall not be subject to any subcharge, fee or tax.

B. Canute shall bill Clinton at monthly intervals for all groundwater furnished to Clinton under this Agreement. Clinton shall pay the water bill within 21 days after the monthly bills are submitted.

C. The water rates for water purchased by Clinton under this Agreement shall be computed as follows:

(1) \$1.23 for each 1,000 gallons of water purchased under the terms of this Agreement plus Canute's actual cost per 1,000 gallons for water purchased under the terms of the Davis Contract and the Greteman Contract. This rate will continue until 912,500,000 gallons of unprocessed water is purchased by Clinton.

(2) After 912,500,000 gallons of water is purchased by Clinton, the water rate for the balance of the term of this Agreement shall be \$1.00 for each 1,000 gallons of water purchased under the terms of this Agreement plus Canute's actual cost per 1,000 gallons for water purchased under the terms of the Davis Contract and the Greteman Contract.

VIII. Terms and Standard Conditions.

A. This Agreement shall be for a term of forty (40) years commencing on the date water is first delivered, subject, however, to the option of Clinton to renew this Agreement for a like term or lesser term of not less than ten (10) years. Written notice of Clinton's intent to extend this Agreement shall be submitted to Canute no less than six months prior to the expiration of this Agreement.

B. This Agreement shall not be assigned or transferred by either party without the consent of the other.

IX. Force Majeure.

A. The term "Force Majeure" as used in the Agreement shall mean acts of God and any event or effect that cannot reasonably be anticipated or controlled.

B. In any case by reason of "Force Majeure" Canute or Clinton is rendered unable wholly or in part to carry out its obligations under the Agreement, notice and full particulars of such "Force Majeure" are to be given in writing within a reasonable period of time by the party unable to carry out its obligations to the other party.

C. The obligation of the party given such notice, so far as it is affected by "Force Majeure," shall be suspended during the continuance of the inability claimed, but no longer.

D. Both Canute and Clinton may exercise their rights under this "Force Majeure" section with regard to all provisions of this Agreement.

X. Service of Notice.

All notices or communications provided for in this Agreement shall be in writing and shall be delivered to Clinton or Canute either in person or by United States mail, via registered mail, return receipt requested, postage prepaid, addressed

to Clinton as follows: _____

to Canute as follows: _____

until and unless other addresses are specified by notice given in accordance with this Agreement.

XI. Events of Default and Remedies.

A. The following events shall be deemed to be events of default ("Events by Default") by Clinton under this Agreement:

1. Clinton shall fail to timely pay for water purchased under this Agreement.
2. Clinton shall fail to comply with any term, provision or covenant of this Agreement.

B. Upon the occurrence of any of such Events of Default, Canute may, in its discretion, in addition to all other legal and equitable remedies available to it, including the right to seek damages, terminate this Agreement.

C. Upon the breach of this Agreement, the prevailing party shall be entitled to reimbursement of its attorney fees and costs incurred in enforcing the terms of this Agreement.

D. No failure by Canute to insist upon the strict performance of any agreement, term, covenant or condition hereof or to exercise any right or remedy provided to Canute upon a breach thereof, and no acceptance of full or partial water purchase payments during the continuance of any such breach, shall constitute a waiver of any such breach or of such agreement, term, covenant or condition.

XII. Miscellaneous

A. Expenses. Each party hereto shall pay its own expenses incident to the negotiation, preparation and consummation of this Agreement, including all fees and expenses of their respective counsel and accountants.

B. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

C. Governing Law. This Agreement is being executed in and shall be governed by and construed in accordance with the laws of the State of Oklahoma, without giving effect to conflict of laws.

D. Relationship of Parties. The parties hereto intend and contemplate that their relationship shall not be construed, nor shall any provision of this Agreement be interpreted, so as to create a partnership or joint venture between them or their respective successors in interest.

E. Cooperation; Consents. Subject to the terms and conditions of this Agreement, each Party will use reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary or desirable under applicable law to consummate the transactions. The Parties agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary or desirable in order expeditiously to consummate the transactions.

F. Entire Agreement; Amendment. This Agreement constitutes the entire agreement by the parties with respect to the subject matter hereof, and supersedes all prior oral and written agreements, commitments or understandings with respect to the matters provided herein. This Agreement may not be changed orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

G. Severability. If any part or any provision of this Agreement shall be invalid or unenforceable under applicable law, said part or provision shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provisions or the remaining provisions

of this Agreement, which shall be construed as if such invalid parts or provisions had not been inserted.

H. Headings. The headings of the paragraphs contained in this Agreement are inserted for convenience only and do not form a part of or affect the meaning, constructions or scope thereof.

I. Counterparts. This Agreement may be executed in separate counterparts, none of which need contain the signatures of all parties, each of which is deemed to be an original, and all of which taken together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

The Public Works Authority
Town of Canute, Oklahoma

By: _____
Phillip D. Root, Chairman

The Public Works Authority
City of Clinton, Oklahoma

By: _____
Seth Adams, Chairman