

**STRATEGIC PARTNERSHIP AGREEMENT BETWEEN
THE CITY OF AUSTIN AND
SHADY HOLLOW MUNICIPAL UTILITY DISTRICT**

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

KNOW ALL MEN BY THESE PRESENTS:

This Strategic Partnership Agreement Between the City of Austin, Texas and the Shady Hollow Municipal Utility District, Travis County, Texas (“SPA”) is made and entered into by and between the City of Austin, a municipal corporation, acting by and through its duly authorized City Manager (“City”); and Shady Hollow Municipal Utility District (“District”), acting by and through its duly authorized Board of Directors, under the authority of Section 43.0751 of the Texas Local Government Code (“Local Government Code”).

RECITALS

1. The District is a municipal utility district created and operating pursuant to Chapters 49 and 54 of the Texas Water Code. All of the territory within the District is located within the extraterritorial jurisdiction of the City in Travis County, Texas. The District encompasses approximately 451 acres, more or less. Its boundaries are described in Exhibit “A” and depicted on Exhibit “B” attached to this SPA.
2. The City is a municipal corporation established by and chartered under Chapter 90, Page 634, of the Special Laws of Texas, 1909, 31st Legislature.
3. The City desires to annex all of the District, which would result in the dissolution of the District and the City succeeding to all of the District’s powers, duties, assets, and obligations.
4. The District and its residents and property owners desire to postpone the City’s annexation of the District and to enter into this SPA to provide benefits to each party that are reasonable and equitable with regard to the other party.
5. The purpose of this SPA is to enter into a strategic partnership agreement between the City and the District regarding the terms and conditions of annexation of the District by the City in accordance with Section 43.0751 of the Local Government Code.
6. Representatives of the City and the District met to negotiate an annexation service plan in October 2012 and December 2012.
7. The District provided notice of two public hearings concerning the adoption of this SPA in accordance with the procedural requirements of Section 43.0751 of the Local Government Code.

8. The District conducted two public hearings regarding this SPA in accordance with procedural requirements of Section 43.0751 of the Local Government Code on August 11, 2013, at 2:00 p.m., at the David C. Ellis Community Center, 3303 Doe Run, Austin, Texas 78748 and on September 3, 2013 at 6:30 p.m. at the Shady Hollow Municipal Utility District, 3910 Capistrano Trail, Austin, Texas 78748.
9. The City provided notice of two public hearings concerning the adoption of this SPA in accordance with the procedural requirements of Section 43.0751 of the Local Government Code.
10. The City conducted two public hearings regarding this SPA in accordance with procedural requirements of Section 43.0751 of the Local Government Code on September 26, 2013 at 4:00 p.m., at the City Council Chambers and on October 3, 2013 at 4:00 p.m., at the City Council Chambers.
11. The District has, by formal action, after public hearings approved this SPA on September 3, 2013 in open session at a meeting held in accordance with the Open Meetings Act.
12. The City has, by formal action, after public hearings approved this SPA on October 3, 2013 in open session at a meeting held in accordance with the Open Meetings Act.
13. All procedural requirements imposed by state law for the adoption of this SPA have been met.

NOW, THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions contained in this SPA, and other good and valuable consideration, the City and the District agree as follows:

ARTICLE I.

DEFINITIONS, PURPOSE, AND LEGAL AUTHORITY

Section 1.01 Terms Defined in this SPA.

In this SPA, each of the following terms shall have the meaning indicated:

- (a) “City” means the City of Austin, Texas.
- (b) “Consent Agreement” means the agreement between the City and the District titled “Agreement Concerning Creation and Operation of Southwest Travis County Municipal Utility District No. 1”, executed on November 7, 1980; the First Supplement to the Agreement Concerning Creation and Operation of Southwest Travis County Municipal Utility District No. 1, executed on June 22, 1990; the Second Supplement to the Agreement Concerning Creation and Operation of Southwest Travis County Municipal Utility District No. 1, executed on June 24, 2008.
- (c) “District” means the Shady Hollow Municipal Utility District, Travis County, Texas, formerly known as Southwest Travis County Municipal Utility District No. 1.

- (d) “District Boundaries” means the boundaries of the District as they now exist, as such boundaries are more particularly described in Exhibit “A” and depicted on Exhibit “B” attached to this SPA.
- (e) “Effective Date” means the means the date of approval of this SPA, as defined in Section 2.02 of this SPA.
- (f) “Force Majeure” means conditions and occurrences as defined in Section 6.13 of this SPA.
- (g) “Full Purpose Annexation Date” means 12:01 a.m., December 15, 2020.
- (h) “O&M Transfer Date” means April 2, 2018.
- (i) “Notice” means any formal notice or communication required or authorized to be given by one Party to another by this SPA.
- (j) “Party or Parties” means the City and/or the District, as the case may be.
- (k) “SPA” means this Strategic Partnership Agreement Between the City of Austin and the Shady Hollow Municipal Utility District, including all Exhibits attached hereto, specifically including by way of example and not in limitation, the Water and Wastewater Agreement.
- (l) “Water and Wastewater Agreement” means the Agreement for Water and Wastewater Service and Operations Management of Facilities Between the City of Austin and the Shady Hollow Municipal Utility District, attached hereto as Exhibit C.

Section 1.02 Purpose of the SPA.

The purpose of this SPA is to define and clarify, through contractual agreement, the terms and conditions of annexation of property in the District by the City and the relationship between the City and the District during the period between approval of this SPA and the date of full purpose annexation of the entire District, all in accordance with Section 43.0751 of the Texas Local Government Code.

ARTICLE II.

ADOPTION OF THE AGREEMENT AND ANNEXATION OF THE DISTRICT

Section 2.01 Conduct of Public Hearings and Procedure for Adoption.

The District and the City acknowledge and agree that prior to the execution of this SPA and prior to full purpose annexation pursuant to this SPA, the District and the City conducted public hearings and complied with all procedural requirements for the purpose of considering the adoption of this SPA and annexation of the District in accordance with the terms of this SPA.

Section 2.02 Effective Date of SPA.

Under the provisions of Section 43.0751(c) of the Local Government Code, this SPA shall become effective on October 3, 2013, the date of adoption of this SPA by the City Council. Upon adoption, the SPA shall be filed by the City in the Real Property Records of Travis County, Texas.

Section 2.03 Full-Purpose Annexation of the Property Within the District.

- (a) All land within the District shall be automatically annexed by the City for full purposes effective on the Full-Purpose Annexation Date, without further procedural action of any kind by either party, in accordance with Sections 43.0751(f)(5) and 43.0751(h) of the Texas Local Government Code. The District will not contest the annexation service plan attached as Exhibit D, which the City represents to be the service plan for this area, and which shall be effective for a period of ten years from the Full Purpose Annexation Date.
- (b) For a period of 60 calendar days after the Full Purpose Annexation Date, the District shall remain in existence solely for the purpose of doing all things necessary to assist in the transition to the City's full-purpose jurisdiction. At the end of the 60 calendar day period, the District shall be dissolved without further action of any party.
- (c) The District hereby consents to the City's annexation of all the land in the District in accordance with this SPA. The District accepts the annexation service plan in the form attached to this SPA as Exhibit D, and agrees not to seek arbitration, other legal actions, or legislative remedies to challenge the City's annexation service plan. Notwithstanding the foregoing, the District may take authorized actions, if any, to enforce the terms of the Service Plan. This SPA, and the consent to annexation granted herein, are binding on the District and each owner and future owner of land within the District's boundaries, in accordance with Texas Local Government Code Section 43.0751(c).
- (d) The District agrees that the City may take any and all steps required by the Local Government Code to assure that full purpose annexation of all of the land within the District may be completed in accordance with the timeframes and procedures set forth in this SPA. The City agrees that nothing in this SPA shall alter or impair the rights of any landowner or resident within the former District to enforce the City's service obligations under the laws of the State of Texas and the annexation service plan after dissolution of the District, as that law existed on the Effective Date of this SPA, for services as provided as of the year 2021.

Section 2.04 District Residents as Citizens of the City Upon Full Purpose Annexation of an Area of the District.

A resident of an area of the District annexed for full purposes by the City becomes a citizen of the City for all purposes and shall have all the rights, privileges, and responsibilities accorded to the citizens residing in all other areas that the City has annexed for full purposes. However, such citizens shall continue to also be citizens of the District until it is dissolved.

Section 2.05 Notice to Landowners of Full Purpose Annexation of Land Within the District.

- (a) The District agrees to file the following notice concerning this SPA in the Real Property Records of Travis County for the property within the District:

All of the property within the boundaries of Shady Hollow Municipal Utility District of Travis County, Texas (the “District”), as depicted on the map attached hereto, is subject to the terms and conditions of a Strategic Partnership Agreement (“Agreement”) between the District and the City of Austin, dated ____, 2013. The Agreement establishes a timetable for the annexation by the City of Austin of the property in the District. The Agreement is binding on the District and each owner and future owner of land within the District’s boundaries. A copy of the Agreement may be obtained by contacting the offices of the District, and questions concerning the Agreement may be directed to the District or the City of Austin Planning and Development Review Department, or its successor department.

- (b) This notice with appropriate modifications shall also be included in the notice to purchasers of real property in the District in each future edition of the District’s Information Form required to be recorded in the Real Property Records of Travis County, Texas, pursuant to Section 49.455 of the Texas Water Code.

Section 2.06 Regulatory and Taxation Authority of the City and the District Upon Full Purpose Annexation of an Area of the District.

Upon full purpose annexation, the City shall have all the authority and power, including taxation authority, that the City enjoys in all other areas that the City has annexed. Before the Full-Purpose Annexation Date, the District shall continue to exist within the District Boundaries and have all of the authority and power, including taxation authority, of a municipal utility district, except as modified by the terms and provisions of this SPA and applicable law, so long as the District exists.

ARTICLE III.

SERVICES TO THE DISTRICT AND OTHER TRANSITIONAL MATTERS

Section 3.01 Capital Improvements During the Period Prior to Full Purpose Annexation.

Except as provided in the Water and Wastewater Agreement, the District will be responsible for operating and maintaining all District facilities and properties during that period of time beginning on the Effective Date and ending on the Full Purpose Annexation Date. By way of example and not in limitation, the aforementioned operation and maintenance responsibilities shall include the District’s portion of the responsibility shared with Travis County for drainage, prevention of erosion, remediation of storm damage, and pond and channel maintenance.

Section 3.02 District Tax Rate.

The District agrees to report the annual debt tax rate and operations and maintenance tax rate set by the District to the District's tax collector in Travis County, and to perform all acts required by law for the tax rates to be effective.

Section 3.03 Transfer of Assets, Employment and Services Contractual Obligations of the District.

The District agrees that as of the effective date of this SPA, it will not, without the prior written consent of the City Manager:

- (a) transfer any of its assets to any third party without reasonable consideration, or
- (b) acquire additional assets, other than those required for the normal and customary operations of the District and excluding any assets that would not increase the City's costs or responsibilities upon full purpose annexation of the District, or
- (c) enter into any contracts for employment or services that will result in the creation or continuation of a contractual obligation or fees and charges for the City after the Full-Purpose Annexation Date, or after the O&M Transfer Date for those obligations, fees, or charges specifically related to the District's water and wastewater systems. Notwithstanding the foregoing, the District may contract for normal administration and management services and other professional services up through, but not beyond, the Full Proposed Annexation Date.

Section 3.04 Coordination

The District agrees to coordinate with the City in its efforts to negotiate annexation agreements with the District's Out-of-District service areas, including Shady Hollow Sections 1 & 2, the Estates of Shady Hollow, the Enclave at Shady Hollow and Shady Hollow West.

Section 3.05 District Administrative Office Building

The District agrees to sell its administrative office building, located at 3910 Capistrano Trail, Austin, Texas, on or before October 1, 2019. The District may use proceeds of the sale to pay for any expense within the District's legal authority and in accordance with this SPA.

ARTICLE IV.

DISTRICT ASSETS, LIABILITIES, OBLIGATIONS, DEBT AND DEBT SERVICE AND THE CONSENT SPA

Section 4.01 Consent Agreement; Assets, Liabilities, Indebtedness, and Obligations

- (a) The Consent Agreement is terminated on the Full Purpose Annexation Date.
- (b) Except for the ownership of the Retail Water System and the Retail Wastewater System, which are defined in Exhibit "C" and which shall be transferred to the City upon the

O&M Transfer Date in accordance with Article V of this SPA, the District's contracts, assets, liabilities, indebtedness, and obligations will all remain the responsibility of the District until the Full Purpose Annexation Date. Prior to that date, disposition or acquisition of additional contracts, assets, liabilities, indebtedness, and obligations shall be governed by this SPA and the laws of the State of Texas.

Section 4.02 Assumption of the District's Outstanding Obligations, Assets, Debts, and Liabilities by the City.

The City shall assume all of the District's debts, liabilities, obligations, property and assets, and shall perform all of the functions of the District which a municipality may perform under state law, on the Full Purpose Annexation Date in accordance with Section 43.075(d) of the Local Government Code and the annexation service plan. The ownership and operation of the District's water and wastewater system assets shall be according to the terms of the Water and Wastewater Agreement attached hereto as Exhibit C.

Section 4.03 No Liability for Operations Performed by Others.

- (a) The Parties agree that the City shall not be liable for any claims or causes of action arising out of, or resulting from the maintenance, operations, or ownership of the facilities owned by the District in the performance of the District's functions as described in this SPA. The Parties agree that the District shall not be liable for any claims or causes of action arising out of, or resulting from the maintenance, operations, or ownership of the facilities owned by the City in the performance of the City's functions as described in this SPA.
- (b) The Parties further agree the City shall not be liable for any or all claims or causes of actions arising out of or resulting from the maintenance, operations, or other activities of the District on any property owned by the City. The District shall not be liable for any or all claims or causes of action arising out of or resulting from the maintenance, operations or other activities of the City.
- (c) The District shall add the City of Austin as an additional insured on its general liability insurance, which the District shall carry each year until the O&M Transfer Date. At the request of the City, the District shall continue to include the City as an additional insured following the O&M Transfer Date, provided that the City shall be responsible for any additional direct costs to the District for continuing to include the City as an additional insured.

Section 4.04 Additional Bonds and Indebtedness by District.

- (a) The District shall not issue bonds for any purpose without the prior written consent of the City Council.
- (b) The District may not issue notes, incur indebtedness, or enter into lease agreements, other than for normal operation and maintenance of the District and for the purposes authorized in Section 4.01 of this SPA. However, District operations and maintenance after the Effective Date of this SPA shall not be construed to increase the level of services

required after full-purpose annexation. Any such obligations or debts incurred by the District may not extend beyond the Full Purpose Annexation Date or beyond the O&M Transfer Date for obligations or debts related to the District's water and wastewater systems.

ARTICLE V.
DISTRICT WATER, AND WASTEWATER, FACILITIES; PAYMENTS TO CITY;
FUNCTIONS

Section 5.01 District Functions.

Except as modified by this SPA and the Water and Wastewater Agreement, prior to the Full-Purpose Annexation Date the District shall solely have those functions, purposes, and authorities specifically exercised or performed by the District prior to the Effective Date, or otherwise authorized under the laws of the State of Texas. If the District or the City takes any formal action to discharge a function or to exercise authority that is not directly related to those functions and purposes specifically exercised or performed prior to the Effective Date or otherwise authorized by this SPA, the other Party may proceed as provided in Article VII of this SPA. The parties agree that any increased level of services performed by the District after the Effective Date will not affect the City's service obligations under the Annexation Service Plan.

Section 5.02 Transfer of Ownership.

The District shall convey ownership of its water and wastewater system assets to the City in accordance with the terms of the Water and Wastewater Agreement attached hereto as Exhibit C on the O&M Transfer Date. In this regard, the Parties agree that the various documents associated with the conveyance shall be executed as of the Effective Date and shall be held in escrow until the O&M Transfer Date at which time they will become effective. The Parties agree that the District shall retain full ownership of its other assets not conveyed to the City in accordance with Exhibit C, until the Full-Purpose Annexation Date.

Section 5.03 Retail Water and Wastewater Service; Wholesale Water Service and Operations Agreement

- (a) As more fully described in the attached Water and Wastewater Service Agreement, the District shall provide retail water and wastewater service to all lands within the District and all lands previously approved by the City Council for the District to provide Out-of-District retail water and/or wastewater services until the O&M Transfer Date. After the O&M Transfer Date, the City shall be responsible for providing retail water service and retail wastewater service to the District and all such Out-of-District areas.
- (b) The City and the District agree to concurrently execute, with this SPA, the Water and Wastewater Agreement, attached as Exhibit C, to address multiple issues concerning the ownership, capital improvement, operations, and maintenance of certain District facilities prior to the O&M Transfer Date. If there is a conflict between this SPA and the Water and Wastewater Agreement, the Parties agree that the Water and Wastewater Agreement will apply.

Section 5.04 Audit; Review of District Records.

The District shall conduct an annual audit each year, at its sole expense, to be performed by an independent certified public accountant. The District shall file a copy of the completed audit with the City's Director of Financial Services. The District shall make its financial records available to the City for inspection during normal business hours upon prior reasonable notice by the City.

ARTICLE VI. **MISCELLANEOUS PROVISIONS**

Section 6.01 Annexation of Nearby Properties

The City intends to plan for and ultimately annex additional nearby properties that are closely related to the Shady Hollow Subdivision but not subject to this agreement because they are not located within the boundary of the District. These properties include, by way of example and not in limitation, Shady Hollow Sections 1 & 2, the Estates of Shady Hollow, the Enclave at Shady Hollow and Shady Hollow West. Annexation of these areas in addition to the District will provide a contiguous and more logical city limit boundary. City staff will recommend that Council initiate annexation of these areas consistent with state law requirements so that they will become part of the city no later than the District.

Section 6.02 Entire Agreement/Conflicting Provisions.

- (a) This SPA is not intended to waive or limit the applicability of laws, regulations, and ordinances applicable to the District or the City, nor does it waive the jurisdiction or sovereignty of any governmental body with respect to the District or the City.
- (b) As of this date there are no agreements, oral or written, between the Parties which are in conflict with this SPA. This SPA, together with all of the attachments to this SPA, constitutes the entire agreement between the Parties with respect to the terms and conditions governing the annexation of the District. No representations or agreements other than those specifically included in this SPA shall be binding on either the City or the District.

Section 6.03 Notice.

- (a) Any Notice given under this SPA shall be given in accordance with this Section.
- (b) Notice may be given by:
 - (i) delivering the Notice to the Party to be notified;
 - (ii) by depositing the Notice in the United States mail, certified or registered, return receipt requested, postage prepaid, addressed to the Party to be notified; or

- (iii) by sending the Notice by telefax (or electronic mail) with confirming copy sent by mail to the Party to be notified.
- (c) Notice deposited in the United States mail in the manner herein described shall be deemed effective upon the earlier of the date of actual receipt or three days after the date of such deposit. Notice given in any other manner shall be effective only if and when received by the Party to be notified.
- (d) For purposes of Notice, the addresses of the Parties shall, until changed as provided in this Section, be as follows:

City of Austin:

Director, Planning & Development Review
Department
City of Austin
P. O. Box 1088
Austin, Texas 78767
E-mail: _____

with required copy to
City Attorney:

City Attorney
City of Austin
P. O. Box 1088
Austin, Texas 78767
E-mail: _____

Shady Hollow Municipal Utility District:

General Manager
Shady Hollow Municipal Utility District
3910 Capistrano Trail
Austin, Texas 78745
E-mail: _____

with required copy to
District's Attorney:

Phil Haag
McGinnis Lochridge & Kilgore
600 Congress Avenue, Suite 2100
Austin, TX 78701
E-mail: phaag@mcginnislaw.com

- (e) The Parties may change their addresses for Notice purposes by providing five days written notice of the changed address to the other Party.
- (f) If any date or period provided in this SPA ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating Notice is extended to the first business day following the Saturday, Sunday, or legal holiday.

Section 6.04 Time.

Time is of the essence in all matters pertaining to the performance of this SPA.

Section 6.05 Severability or Modification of SPA as a Result of Court Action, or Amendment of State Law or Statutory Authority for the SPA; No Legislative or Litigative Efforts by District.

- (a) If any part of this SPA, or the application of the part of this SPA to any person or circumstance is held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the Parties agree that they will amend or revise this SPA to accomplish to the greatest degree practical the same purpose and objective of the part determined to be invalid or unconstitutional, including without limitation amendments or revisions to the terms and conditions of this SPA pertaining to or affecting the rights and authority of the Parties in areas of the District annexed by the City pursuant to this SPA, or proposed to be annexed.
- (b) If any part of this SPA is nullified or modified in whole or in part as a result of amendments to the underlying state law and statutory authority for this SPA, the Parties agree and understand that such modification may frustrate the purpose of this SPA. The parties agree that they will attempt to amend or revise this SPA to accomplish to the greatest degree practical (i) the same purpose and objective of the part of this SPA affected by the amendment of the underlying state law and statutory authority and (ii) the original intent and purpose of this SPA.
- (c) The District will not engage in litigation or legislative processes to challenge this SPA, or to resolve any disputes related to the agreed annexation process or service plan. If future legislation would have the effect of prohibiting annexation or requiring further approval of residents for annexation, it is the intent of the Parties that annexation will take place in accordance with this SPA irrespective of any such legislation. Further, the District will not seek or support legislation to incorporate all or a portion of itself as a municipality. The District will not contest the City in its efforts to assure that future legislation does not prohibit, or impose additional requirements affecting, the City's right and ability to annex the District in accordance with the terms of this SPA.

Section 6.06 Waiver.

Any failure by a Party to the SPA to insist upon strict performance by the other Party of any provision of this SPA shall not be deemed a waiver of the provision or of any other provision of the SPA. The Party has the right at any time to insist upon strict performance of any of the provisions of the SPA.

Section 6.07 Applicable Law and Venue.

The construction and validity of the SPA shall be governed by the laws of the State of Texas (without regard to conflict of laws principles). Venue shall be in Travis County, Texas.

Section 6.08 Reservation of Rights.

To the extent not inconsistent with this SPA, each Party reserves all rights, privileges, and immunities under applicable law.

Section 6.09 Further Agreement and Documents.

Both Parties also agree that they will perform any further acts as the other Party may reasonably request to effectuate the terms of this SPA.

Section 6.10 Incorporation of Exhibits and Other Documents by Reference.

All exhibits and other documents attached to or referred to in this SPA are incorporated into this SPA by reference for the purposes set forth in this SPA.

Section 6.11 Assignability, Successors, and Assigns.

- (a) This SPA shall not be assignable by the District without the prior written consent of the City Council of the City.
- (b) This SPA shall be binding upon and inure to the benefit of the Parties and their respective representatives, successors, and assigns.

Section 6.12 Amendment.

This SPA may only be amended in writing upon the approval of the governing bodies of the City and the District.

Section 6.13 Force Majeure.

- (a) In the event that either Party is rendered unable by force majeure to carry out any of its obligations under this SPA, whether in whole or in part, then the obligations of that Party, to the extent affected by the force majeure, shall be suspended during the continuance of the inability, provided, however, that due diligence is exercised to resume performance at the earliest practicable time. As soon as reasonably possible after the occurrence of the force majeure relied upon to suspend performance, the Party whose contractual obligations are affected thereby shall give notice and full particulars of the force majeure to the other Party. The cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure" includes acts of God, strikes, lockouts or other industrial disturbances, criminal conduct or sabotage, acts of the public enemy, orders of the government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and civil disturbances, explosions, breakage, or accidents to equipment, pipelines, or canals, partial or complete failure of water supply, and any other inability of either Party, whether similar to those enumerated or otherwise, that are not within the control of the Party claiming their ability and that could not have been avoided by the exercise of due diligence.

- (b) It is understood and agreed that the settlement of strikes, lockouts and other industrial or labor disturbances shall be entirely within the discretion of the party having the difficulty and that the requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts or other industrial or labor disturbances by acceding to the demands of the opposing party if the settlement is unfavorable to it in the judgment of the Party having the difficulty. Force majeure shall relieve City from liability to the District or any water customer of the District for failure to provide water service due to an inability covered by this Article. Force majeure shall not relieve the District of its obligation to make payment to the City as provided in this SPA and the Water and Wastewater Agreement.

ARTICLE VII.

DEFAULT AND REMEDIES FOR DEFAULT

Section 7.01 Default.

- (a) Upon the occurrence, or alleged occurrence, of an event of default under or violation of this SPA, the non-defaulting Party shall send the defaulting Party notice of its default or violation or alleged default or violation. Except as otherwise specifically provided in this SPA and subject to force majeure, the defaulting Party must cure its default or violation within thirty days following receipt of the Notice of default or violation.
- (b) If the default or violation is not cured within the thirty day period, the non-defaulting Party may sue for enforcement or cancellation of this SPA. However, prior to bringing any proceeding in a court of law or before a court of competent jurisdiction, the Parties may (but are not required to) resolve the issue through alternative dispute resolution. If the Parties agree to seek alternative dispute resolution, they must participate in good faith. The Parties shall share the costs of the mediation or arbitration equally. The Parties further agree that neither the City nor the District is not obligated to resolve any dispute based on an arbitration decision under this SPA if the arbitration decision compromises the City's or District's sovereign immunity.
- (c) If the Parties are unable to resolve their dispute through mediation or arbitration, if any, the non-defaulting Party shall have the right to enforce the terms and provisions of this SPA by specific performance or by such other legal or equitable relief to which the non-defaulting Party maybe entitled. Any remedy or relief described in this SPA shall be cumulative of, and in addition to, any other remedies and relief available at law or in equity.
- (d) If the defaulting Party fails to abide by these deadlines, the non-defaulting Party shall have all rights and remedies available in law and equity and all rights and remedies provided in this SPA.
- (e) All of these rights and remedies shall be cumulative.
- (f) The parties agree that none of the remedies specified in this SPA shall apply to a breach of the agreement attached hereto as Exhibit D, and that the remedies available for a breach of said agreement shall be controlled by the remedy provisions of the agreement.

Section 7.02 Dissolution of the District

- (a) If the District is dissolved for any reason prior to the Full Purpose Annexation Date, this SPA shall automatically terminate and the City shall have the right to accelerate the Full Purpose Annexation Date without restriction.
- (b) If the District is dissolved, the Board of Directors for the District shall continue to exist after the dissolution for the sole purpose of doing any and all acts or things necessary to transfer the assets, obligations, indebtedness, and liabilities to the City.

IN WITNESS WHEREOF, this SPA consisting of ____ pages and Exhibits A-D is executed in multiple identical counterparts.

CITY OF AUSTIN, TEXAS

Attest: _____
City Clerk

By: _____
Marc Ott
City Manager

**SHADY HOLLOW MUNICIPAL
UTILITY DISTRICT**

Attest: _____
Secretary

By: _____
Ronald O. Stried
President, Board of Directors

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the ____ day of _____, 20____, by Marc Ott, City Manager for the City of Austin, Texas, for and on behalf of the City of Austin, Texas.

Notary Public in and for the State of Texas
My Commission Expires: _____

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the ___ day of _____, 20____, by Ronald O. Stried, President of the Board of Directors Shady Hollow Municipal Utility District, for and on behalf of the Shady Hollow Municipal Utility District.

Notary Public in and for the State of Texas
My Commission Expires:_____

STRATEGIC PARTNERSHIP AGREEMENT
BETWEEN THE CITY OF AUSTIN AND THE
SHADY HOLLOW MUNICIPAL UTILITY DISTRICT

LIST OF EXHIBITS

The following are the exhibits for this SPA:

Exhibit A	District Boundaries Field Notes
Exhibit B	District Map
Exhibit C	Agreement for Water and Wastewater Service and Operations Management of Facilities Between the City of Austin and the Shady Hollow Municipal Utility District
Exhibit D	Annexation Service Plan

[ADD EXHIBIT COVER PAGES]