
Schedule 3.2.3

Form of License Agreement

Final Version

LEASE AND LICENSE AGREEMENT FOR WATER DISTRIBUTION LINES

THIS LEASE AND LICENSE AGREEMENT FOR WATER DISTRIBUTION LINES (the "Agreement") is dated as of March 14, 2011, and is entered into by and between the Marion, Howell, Oceola and Genoa Sewer and Water Authority, the address of which is 1577 N. Latson Road, Howell, MI 48843 (the "Authority") and the Township of Howell, the address of which is 3525 Byron Road, Howell, MI 48855 ("Howell Township").

WHEREAS, Marion Township, Howell Township, Oceola Township and Genoa Charter Township (all of which are located in Livingston County) (the "Townships") have organized the Authority pursuant to the provisions of Act 233, Michigan Public Acts of 1955, as amended ("Act 233") for the purpose, among other things, of acquiring, owning, managing and operating a water supply system;

WHEREAS, the Townships have concluded that the operation of a water supply system is needed to promote and improve the health and welfare of the residents of the Townships, and that such water supply system can most economically and efficiently be operated and maintained by the Authority pursuant to the provisions of Act 233;

WHEREAS, the Authority is currently operating the series of lines, mains, pipes, valves, storage tanks, storage facilities, wells, water production and treatment facilities, and related appurtenants for its water production and distribution system (collectively, the "System");

WHEREAS, the Townships have approved and the Authority has entered into a Master Operating Agreement regarding the operating of the System (the "Master Operating Agreement");

WHEREAS, the local distribution lines and elements of the System located in the Townships of Marion, Oceola and Genoa are owned and operated by the Authority;

WHEREAS, Howell Township has elected to retain ownership of the local distribution lines and elements of the System located in Howell Township (which distribution lines and elements are identified on Schedule 1 and are referred to in this Agreement as the “Howell Local Distribution Elements”); and

WHEREAS, pursuant to the terms of this Agreement, Howell Township desires to grant the Authority a license to use the Howell Local Distribution Elements and to enter into a lease with the Authority for the Howell Local Distribution Elements.

NOW, THEREFORE, in consideration of the agreements set forth herein, and other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Township agree as follows:

ARTICLE I
HOWELL LOCAL DISTRIBUTION ELEMENTS

Section 1.1 **Howell Local Distribution Elements.** Howell Township represents and covenants that it has fee title to and ownership of the Howell Local Distribution Elements and no other party or entity has an ownership interest in, or right to use, the Howell Local Distribution Elements.

Section 1.2 **License.** Howell Township hereby grants to the Authority an exclusive license to use the Howell Local Distribution Elements during the term of this Agreement for the purpose of the Authority’s operation of the System.

Section 1.3 **Lease.** In addition to the license set forth in this Agreement, Howell Township hereby leases the Howell Local Distribution Elements to the Authority for the term of this Agreement.

Section 1.4 Exclusivity. The license and lease of the Howell Local Distribution Elements to the Authority shall be exclusive, and during the term of this Agreement Howell Township shall not use the Howell Local Distribution Elements and Howell Township shall not grant any other party a license, (or) leasehold interest with respect to the Howell Local Distribution Elements.

Section 1.5 Quiet Enjoyment. Howell Township covenants and agrees with the Authority that the Authority shall have the right to peaceably and quietly use the Howell Local Distribution Elements during the term of this Agreement, without hindrance or interruption by the Township.

ARTICLE II USE, OPERATION AND MAINTENANCE

Section 2.1 Authority's Use of the Howell Local Distribution Elements. The Authority shall use the Howell Local Distribution Elements to provide water service to customers of the System located in Howell Township.

Section 2.2 Operation and Maintenance of the Howell Local Distribution Elements. The Authority shall operate and maintain the Howell Local Distribution Elements in substantially the same manner that the Authority operates and maintains other local distribution elements of the System. Howell Township agrees not to provide any repair or maintenance to the Howell Local Distribution Elements during the term of this Agreement.

Section 2.3 Routine Maintenance and Repair of the Howell Local Distribution Elements. During the term of this Agreement the Authority shall perform and pay for the repair of the Howell Local Distribution Elements utilizing methods, procedures and standards that the Authority utilizes for the other local distribution elements of the System. Repairs shall include

repairs to individual water service connections, mains, and hydrants. Additionally, routine maintenance including, but not limited to annual flushing, shall be performed on the local distribution lines.

Section 2.4 Replacement of the Howell Local Distribution Elements. Replacement of localized distribution lines shall be defined as a repair extending beyond 100 linear feet of water main or costing individually more than \$50,000. Should a portion of the Howell Local Distribution Elements require replacement due to age, failure, or insufficient capacity, meeting the above listed criteria, then Howell Township and the Authority agree to consider financing of such replacement lines utilizing a combination of existing Authority reserve funds and other financing mechanisms as may be available or required under the Master Operating Agreement.

Section 2.5 Reimbursement for Replacement Costs. In the event that the Authority pays for or finances the replacement of Howell Local Distribution Elements during the term of this Agreement, and at the termination of this Agreement such local distribution elements are retained by Howell Township, then the Authority and Howell Township shall negotiate a fair payment from Howell Township to the Authority to reimburse the Authority for the depreciated value of such local distribution elements. Alternatively, in the event that Howell Township pays for or finances the replacement of Howell Local Distribution Elements during the term of this Agreement, and at the termination of this Agreement such local distribution elements are conveyed to the Authority, then the Authority and Howell Township shall negotiate a fair payment from the Authority to Howell Township to reimburse Howell Township for the depreciated value of such local distribution elements.

Section 2.6 Approval for System. Howell Township, by way of compliance with Section 29, Article VII, Michigan Constitution of 1963, hereby consents and agrees to the

establishment and location of the System within its corporate boundaries and agrees to allow the Authority to be the exclusive provider of municipal water service to the properties in the Township that are served by the Howell Local Distribution Elements, as the Howell Local Distribution Elements may be modified from time to time as provided for in this Agreement. Furthermore, Howell Township agrees that it will assist the Authority in obtaining all easements, licenses, rights-of-way and/or title to property necessary for the use and operation of the Howell Local Distribution Elements.

Section 2.7 Insurance. The Authority shall obtain property and liability insurance for the Howell Local Distribution Elements with coverage amounts and deductibles that are customarily obtained by municipalities for similar water systems.

ARTICLE III

ADDITIONAL HOWELL LOCAL DISTRIBUTION ELEMENTS

Section 3.1 Construction of Additional Howell Local Distribution Elements. The construction of, acceptance of, and operational responsibility for additional Howell Local Distributions Elements shall be governed by the procedures for construction of water lines outlined in the Master Operating Agreement.

ARTICLE IV

TERM AND TERMINATION

Section 4.1 Initial Term of Agreement. The initial term of this Agreement shall be through December 31, 2030.

Section 4.2 Notice of Termination and Automatic Renewal. Either party may terminate this Agreement at the end of the initial term (or at the end of any subsequent term) by providing the other party with written notice of termination not later than two years prior to the

end of the initial term (or prior to the end of a subsequent term, if applicable.) If neither party provides notice of termination two years prior to the end of the initial term or prior to the end of a subsequent term as set forth in this Section, then this Agreement shall automatically renew for another term of twenty years.

Section 4.3 Reimbursement of Authority Costs in the Event of Termination by Howell Township. In the event that (i) Howell Township elects to terminate this Agreement by providing notice to the Authority pursuant to Section 4.2 or in any other manner, and (ii) if at the effective date of termination the Authority has outstanding revenue bonds or other indebtedness the source or repayment of which is based on future users of the System (collectively, the Outstanding Revenue Bonds), then in connection with the termination of this Agreement Howell Township shall be required to enter into a contractual agreement that will provide for Howell Township to continue to pay its pro-rata share of the debt service on the Outstanding Revenue Bonds, as such debt service is due and payable. For purposes of the foregoing sentence, pro-rata share of debt service on the Outstanding Revenue Bonds shall be based on the volume of water provided in the preceding twelve month period by the Authority to users of the System located in Howell Township divided by the volume of water provided in the preceding twelve month period by the Authority to all users of the System.

ARTICLE V
MISCELLANEOUS

Section 5.1 Invalidity of Provisions. In the event that any one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions

of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein.

Section 5.2 No Third-Party Beneficiaries. Except as expressly provided herein, this Agreement does not create, and is not intended to create, by implication or otherwise, any direct or indirect obligation, duty, promise, benefit or any other right in favor of any person other than the parties.

Section 5.3 Entire Agreement. This Agreement sets forth the entire agreement between the Authority and the Township and supersedes any and all prior agreements or understandings between them in any way related to the subject matter of this Agreement.

Section 5.4 Amendment. This Agreement may be amended, modified or supplemented only by a written agreement signed by the parties hereto.

Section 5.5 Governing Law. This Agreement shall be interpreted under the laws of the State of Michigan.

Section 5.6 Counterparts. This Agreement may be executed in several counterparts each of which shall be deemed one and the same agreement. It shall be binding upon and inure to the benefit of the parties to it and their respective successors and assigns.

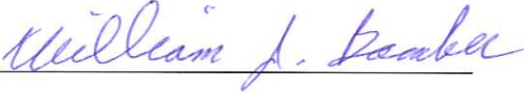
Section 5.7 Captions and Bylines. The captions and bylines used in this Agreement are for the convenience of reference only and in no way define, limit or describe the scope of intent of any provision of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered, by their respective duly authorized officers, all as of the day and year first above written.

MARION, HOWELL, OCEOLA AND GENOA
SEWER AND WATER AUTHORITY

By:  _____

Its: Chairman

By:  _____

Its: Secretary

HOWELL TOWNSHIP

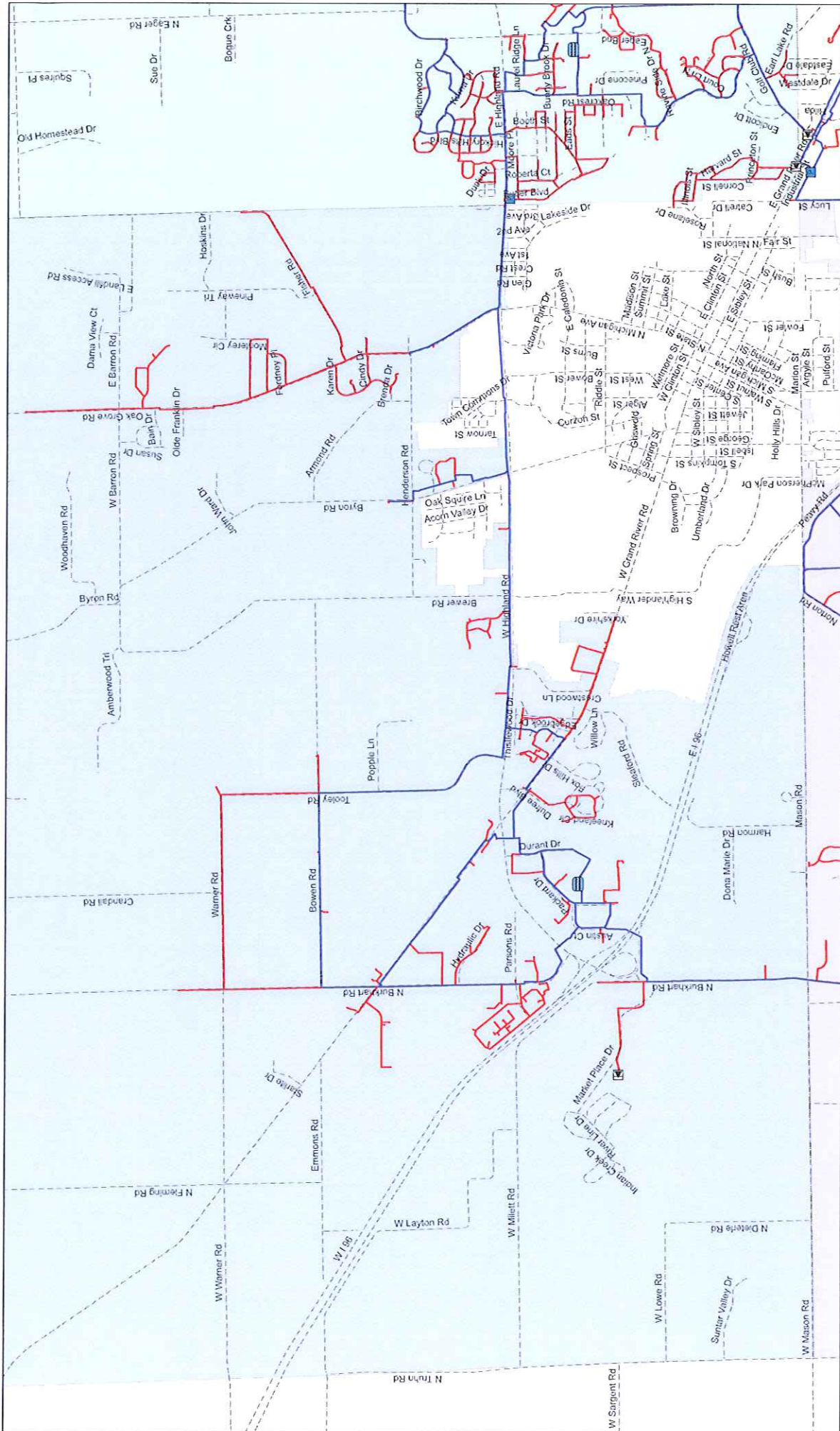
By:  _____

Its: Supervisor

By:  _____

Its: Clerk

Schedule 1
Description of Howell
Local Distribution Elements



- Water Tower (Common)
- Booster Pumps (Common)
- Pressure Reducing Valve (Common)
- Flow Meter (Common)
- Water Plant (Common)
- Local Distribution Main
- Common Main

MHOG DESCRIPTION OF SYSTEM (HOWELL TWP)

PLT DATE: 09-14-2010

