
Schedule 2.3

Peavy Road Water Main Repayment Agreement

Execution Copy

**AGREEMENT REGARDING WATER SYSTEM
IMPROVEMENTS AND REIMBURSEMENT OF COSTS**

This Agreement Regarding Water System Improvements and Reimbursement of Construction Costs is made and entered into as of the 20 day of March, 2007, by and between Marion Township, a Michigan municipal corporation (the "Township"), the address of which is 2877 W. Coon Lake Road, Howell, Michigan 48843, and the Marion, Howell, Oceola and Genoa Sewer and Water Authority, an authority organized under Act 233, Michigan Public Acts of 1955 (the "Authority"), the address of which is 1577 N. Latson Road, Howell, Michigan 48843.

Recitals

A. The Authority has built, maintains and operates a Water Supply and Distribution System (the "Water System").

B. The Authority is planning on constructing a new water distribution line (the "Water Line Improvement") in Marion Township as described in more detail on Exhibit A. The Water Line Improvement will provide additional water pressure to certain parts of the Authority's Water System and is a desirable improvement for the Authority for other design purposes.

C. The Authority plans to pay for the cost of the Water Line Improvement and then be reimbursed over time by the Township paying to the Authority certain fees that are paid by certain new users of the Water System in a designated area of the Township, as set forth in this Agreement. A portion of the cost of the Water Line Improvement will be for over-sizing, and the Authority will not be reimbursed for the cost of such over-sizing.

D. The Authority is willing to enter into this Agreement for the purpose of resolving a public health and safety issue that currently exists with the Water System and the Authority's decision to enter into this Agreement and pay for the cost of the Water Line Improvement shall not serve as a precedent for future expansions of the Water System.

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, the parties agree as follows:

**ARTICLE I
CONSTRUCTION OF WATER LINE IMPROVEMENT**

1.1 Description of Water Line Improvement. The Water Line Improvement shall consist of the improvements described on Exhibit A.

1.2 Engineering and Construction. The Authority shall hire and pay for the engineers to design the Water Line Improvement. Likewise, the Authority shall hire and pay for the contractor that builds the Water Line Improvement.

1.3 Ownership. The Authority shall have title to and own the Water Line Improvement and the Township shall have no ownership interest in the Water Line Improvement.

ARTICLE II EASEMENTS

2.1 Easements for the Benefit of the Authority. The Authority and the Township do not anticipate that any easements will be required in connection with the construction of the Water Line Improvement. If, however, any easements are required in connection with the construction of the Water Line Improvement, then the Township shall obtain such easements and the Township shall pay any costs associated with obtaining such easements. Additionally, the Township will ensure that any such easements are for the benefit of the Authority.

ARTICLE III DESIGN AND OPERATION OF WATER LINE IMPROVEMENT

3.1 Design and Operation. The Authority acknowledges responsibility for the design, inspection, licensing and operation of the Water Line Improvement, including all permits and authorizations.

ARTICLE IV CALCULATION OF FINAL COST

4.1 Initial Cost. The initial estimated cost (without consideration of the over-sizing of the water line from a 12 inch line to a 16 inch line) for the Water Line Improvement is \$429,000, and is calculated as set forth in Exhibit B.

4.2 Determination of Final Cost. Following the completion of the construction of the Water Line Improvement, the Authority shall compute the final cost (the "Final Cost") of the Water Line Improvement, which shall include all design, construction, legal and related costs, but which shall specifically exclude the marginal cost of over-sizing the line from a 12 inch line to a 16 inch line. The Authority and the Township promptly thereafter shall sign a Certificate Regarding Final Cost, the form of which is attached as Exhibit C. When signed, such certificate shall be the final and conclusive evidence of the Final Cost.

ARTICLE V REIMBURSEMENT OF COST

5.1 Reimbursement Obligation. In consideration for the Authority constructing the Water System Improvement, the Township agrees to reimburse the Authority for the Final Cost of the Water System Improvement. Such reimbursement obligation shall be restricted solely to the payment to the Authority of the Designated Future User Fees (as defined below). No portion of this Agreement shall be construed to be a general obligation or general debt of the Township.

5.2 Interest. No interest shall accrue on the Final Cost, and the Reimbursement Payments (as defined below) shall only be paid with respect to the principal portion of the Final Cost.

5.3 Reimbursement Payments from Designated Future Users. The Township agrees to collect connection fees, tap fees or other charges from certain parcels located in certain areas of the Township that, as of the date of this Agreement, have not been specially assessed for water system improvements and these parcels (the "Designated Future Users") are identified in Exhibit D. Such connection fees, tap fees or other charges shall be collected from a Designated Future User at the time that such Designated Future User connects to the Authority's water system. The Township hereby agrees that any Designated Future User that connects to the Authority's Water System shall be required to pay to the Township a connection fee, tap-fee or other charge of not less than \$3,750 per REU (such fees shall be referred to as the "Designated Future User Fees" and the payment of such fees from the Township to the Authority shall be referred to as the "Reimbursement Payments"). Each Designated Future User Fee collected by the Township shall be paid on a quarterly basis by the Township to the Authority. Such payments shall be made by the Township to the Authority within 30 days of the end of each calendar quarter. The Township may, at its option, use any other funds or revenues that are legally available to make the Reimbursement Payments to the Authority. The parties agree that meter fees and inspection fees imposed by the Township shall not be included in the definition of Designated Future User Fees.

5.4 Increase of Designated Future User Fee in the Future. The Township reserves the right to increase the Designated Future User Fee above \$3,750 per REU in the future. In the event that such fee is increased, the entire amount of the fee paid by a Designated Future User to the Township shall continue to be remitted to the Authority on a quarterly basis. The Township may not decrease the Designated Future User Fee below \$3,750 per REU or otherwise reduce the per REU fee for Designated Future Users without the prior written consent of the Authority. Additionally, and notwithstanding the foregoing, the Township reserves the right to increase the connection fee, tap-fee, special assessment or other charge in excess of \$3,750 per REU in order to pay for all or a portion of the cost of construction of water distribution lines and related infrastructure for a Designated Future User, and in such event the Township shall only be required to pay to the Authority the portion of such connection fee, tap-fee, special assessment or other charge that is not related to the cost of construction of water distribution lines and related infrastructure, provided that the amount paid by the Township to the Authority shall in no event be less than \$3,750 per REU for a Designated Future User.

5.5 Use of Special Assessments. The Authority agrees that, as an alternative to the Township charging a Designated Future User the Designated Future User Fee at the time such user connects to the Authority's water system, the Township may impose a special assessment in the principal amount that is no less than the Township's then current Designated Future User Fee, provided that the special assessment is required to be paid in full prior to the date that is 15 years from the date of this Agreement. As any payments on such special assessments are paid to the Township, the principal portion and interest on such special assessments shall be treated as Reimbursement Payments and paid to the Authority as set forth in this Agreement.

Notwithstanding the foregoing, the parties agree that any such special assessments may be payable over a period exceeding the date that is 15 years from the date of this Agreement in the event that the annual payments of principal and interest from the special assessments are projected to be sufficient to pay the Reimbursement Payments in full by the date that is 15 years from the date of this Agreement.

5.6 Termination of the Obligation to Make Reimbursement Payments. At such time that the total Reimbursement Payments made by the Township to the Authority equal the Final Cost, then no additional Reimbursement Payments shall be required to be made by the Township to the Authority.

5.7 Re-Evaluation of the Reimbursement Payments in the Event the Final Cost has not been Repaid After 15 Years. If the Township has not made Reimbursement Payments to the Authority in an amount equal to the Final Cost within 15 years of the date of this Agreement, then the Authority and the Township agree that during the three month period following the 15 year anniversary of this Agreement such parties will negotiate in good faith to provide for an alternative means to repay the remaining portion of the Final Cost over a period of not to exceed 10 years following the 15 year anniversary date of this Agreement.

ARTICLE VI REPRESENTATIONS AND WARRANTIES OF THE TOWNSHIP

The Township represents and warrants to the Authority as follows:

6.1 Organization of the Township. The Township is a general law Township of the State of Michigan and has all power and authority necessary to enter into the transactions contemplated by this Agreement.

6.2 Execution and Performance. The Township has duly and validly authorized and executed this Agreement and the Township has full power to enter into and perform its obligations under this Agreement. Neither the execution and delivery of this Agreement nor its performance are restricted by or violate any contractual or other obligation of the Township.

ARTICLE VII REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY

The Authority represents and warrants to the Township as follows:

7.1 Organization of the Authority. The Authority is organized under Act 233, Michigan Public Acts of 1955, and has all power and authority necessary to enter into the transactions contemplated by this Agreement.

7.2 Execution and Performance. The Authority has duly and validly authorized and executed this Agreement and the Authority has full power to enter into and perform its

obligations under this Agreement. Neither the execution and delivery of this Agreement nor its performance are restricted by or violate any contractual or other obligation of the Authority.

ARTICLE VIII GENERAL PROVISIONS

8.1 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Michigan.

8.2 Amendment. This Agreement may not be amended or modified except by a written instrument executed by the Authority and the Township.

8.3 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed given (i) when delivered, if delivered in person; or (ii) when deposited in the U.S. mail, postage prepaid, if given by registered or certified mail; in any case, addressed to the address of such party specified below, or to such other address as such party may indicate by a notice given to the other party in the manner provided above:

If to the Township:
Marion Township
2877 W. Coon Lake Road
Howell, Michigan 48843
Attn: Supervisor

If to the Authority:
Marion, Howell, Oceola and Genoa Sewer and Water Authority
1577 N. Latson Road
Howell, Michigan 48843
Attention: Chairman

8.4 Entire Agreement. This Agreement (including the attached Exhibits) sets forth the entire understanding of the parties to this Agreement with respect to the subject matter hereof.

8.5 Parties in Interest. This Agreement shall be binding upon and shall inure to the benefit of the legal representatives, successors and assigns of the parties hereto. This Agreement may not, however, be assigned by any party hereto without the prior written consent of the other party hereto.

8.6 No Third Party Beneficiaries. This Agreement is for the sole benefit of the Authority and the Township. Nothing in this Agreement shall create or be deemed to create a relationship between the parties hereto, or either of them, and a third party in the nature of a third party beneficiary.

8.7 Construction. This Agreement shall be construed fairly as to all parties and not in favor of or against any party, regardless of which party prepared the specific portion of the Agreement.

8.8 Counterparts. This Agreement may be executed in any number of counterparts. Each counterpart so executed shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

8.9 Exhibits. The Exhibits attached hereto shall be construed with and as an integral part of this Agreement.

8.10 Headings. Article and section headings used in this Agreement are for convenience only and shall not affect the meaning or construction of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement by the signatures of their duly authorized officers.

MARION TOWNSHIP

By: Robert W. Lanney
Its: Supervisor

By: Sammy L. Beal
Its: Clerk

MARION, HOWELL, OCEOLA AND GENOA
SEWER AND WATER AUTHORITY

By: [Signature]
Its: Chairperson

By: William J. Bamber
Its: Secretary

Exhibit A

Description of Water Line Improvement

The 16-inch water main will be constructed along the west side of Peavy Road from the north connection point located just north of the Marion Genoa Drain and then across the road to the east side of Peavy Road at West Oaks Drive. From there, the water main will be installed on the east side until it connects to the existing water main at the Meadows development. The project is illustrated as "Phase I" on the attached map.

M:\TIPS\PEAVY ROAD WATER MAIN EXTENSION.DWG | LAST EDITED BY: STEVE.GOTHA | PLOT DATE: 12/7/2006 9:20 AM



PHASE 1
20" DIA. LF 216" INCH
MAIN

PEAVY ROAD

CARTER MAIN



TETRA TECH

LOCAL TOWNSHIP, MICHIGAN
WATER AUTHORITY

SCALE: NONE

DATE 12/7/2006

DESIGNED JEM

CHECKED

PEAVY ROAD WATER MAIN
LOOP LINE

CONTRACT

1

OF

1

Exhibit B
Initial Estimate of Cost

OPINION OF PROBABLE CONSTRUCTION COST

TETRA TECH

123 Brighton Lake Road, Suite 203, Brighton, MI 48116

Telephone: (810) 220-2112 FAX: (810) 220-0094

PROJECT: Peavy Road Water Main
 LOCATION: Marion Township Michigan
 BASIS FOR ESTIMATE: CONCEPTUAL PRELIMINARY FINAL
 WORK: Construct 18-inch water main from just north of Marion Genoa
Drain to the entrance drive of The Meadows development

DATE: 1/17/2007
 PROJECT NO. 123-12719-07-004
 ESTIMATOR: S.Hooker
 CHECKED BY: J. Markstrom
 CURRENT ENR: _____

ITEM NO.	DESCRIPTION	QUANT.	UNIT	UNIT AMOUNT	TOTAL AMOUNT
1	Mobilization				
2	Audiovisual Tape Coverage	1	LS	\$10,000.00	\$10,000.00
3	Traffic Control	1	LS	\$2,000.00	\$2,000.00
4	Granular Backfill (Single Pipe Trench)	1	LS	\$5,000.00	\$5,000.00
5	16-inch DIP PC 350 Water Main	235	LF	\$7.00	\$1,645.00
6	16-inch PC 350 DIP Water Main, Directionally Drilled	3,065	LF	\$60.00	\$183,900.00
8	Fire Hydrant Assembly	350	LF	\$120.00	\$42,000.00
9	Connect to Existing Water Main	5	EA	\$2,500.00	\$12,500.00
10	Gravel Driveway Replacement	2	EA	\$2,000.00	\$4,000.00
11	Bituminous Driveway Replacement	200	SY	\$7.00	\$1,400.00
12	16" Butterfly Valve & Box	230	SY	\$20.00	\$4,600.00
13	8" Gate Valve & Box	5	EA	\$3,000.00	\$15,000.00
	Construction Subtotal	2	EA	\$1,500.00	\$3,000.00
	Construction Contingencies (10%)				\$285,045.00
	Construction Total				\$28,955.00
					\$314,000.00
1	1" Copper Type K Water Service	940	LF	\$20.00	\$18,800.00
2	1" Copper Type K Water Service-Bonded	945	LF	\$25.00	\$23,625.00
3	1" Curb Stop with Box	31	EA	\$300.00	\$9,300.00
	Construction Cost for Water Services (Rounded)				\$52,000.00
	Engineering (TI Design / Bidding Phase Proposal)				\$35,000.00
	Engineering (Construction Phase assume 8% of Construction)				\$25,000.00
	Geotechnical Investigation (PSI, Inc Proposal)				\$2,500.00
	Wetland Permit Fee				\$500.00
	Total Project Cost (Not Including Water Services)				\$377,000.00
	Total Project Cost (Including Water Services)				\$429,000.00

Exhibit C

Form of Certificate Regarding Final Cost

Certificate Regarding Final Cost

Marion Township (the "Township") and The Marion, Howell, Ocoola and Genoa Sewer and Water Authority (the "Authority") previously entered into the Agreement Regarding Water System Improvements and Reimbursement of Costs dated March __, 2007 (the "Agreement"). Pursuant to Section 4.2 of the Agreement, the Township and the Authority hereby certify that the Final Cost (as defined in Section 4.2 of the Agreement) is \$ _____, and is calculated as set forth in the Summary of Costs attached hereto.

Dated: _____, 2007

MARION TOWNSHIP

By: _____
Its: Supervisor

By: _____
Its: Clerk

MARION, HOWELL, OCEOLA AND GENOA
SEWER AND WATER AUTHORITY

By: _____
Its: Chairperson

By: _____
Its: Secretary

Exhibit D

**Designated Parcels in the Township that Are
Required to Pay the Designated Future User Fee
when Such Parcels Connect to the Water System**

LAN01168197.8
IDVPK

Marion Township Parcels Committed to Peavy Watermain Financing

Prepared by Bob Hanvey March 7, 2007

Approved by Township Board on: _____

Parcel Number	Potential REUs	Address Street	
10-02-100-016	18	0 PEAVY RD	Sunridge Phase 2
10-02-202-001	1	1021 PEAVY RD	
10-02-202-002	1	1029 PEAVY RD	
10-02-202-003	1	1037 PEAVY RD	
10-02-202-004	1	1045 PEAVY RD	
10-02-202-005	1	1053 PEAVY RD	
10-02-202-006	1	1061 PEAVY RD	
10-02-202-007	1	1069 PEAVY RD	
10-02-202-010	1	1093 PEAVY RD	
10-02-202-012	1	1085 PEAVY RD	
10-02-300-005	1	1150 PEAVY RD	
10-02-300-006	1	1138 PEAVY RD	
10-02-300-007	145	0 PEAVY RD	Sunridge Phase 3
10-02-301-001	1	1110 ALSTOTT	
10-02-301-002	1	1140 ALSTOTT	
10-02-301-003	1	1148 ALSTOTT	
10-02-301-004	1	1166 ALSTOTT	
10-02-301-005	1	1184 ALSTOTT	
10-02-301-006	1	1200 ALSTOTT	
10-02-301-007	1	1220 ALSTOTT	
10-02-301-008	1	1240 ALSTOTT	
10-02-301-009	1	1260 ALSTOTT	
10-02-301-010	1	1280 ALSTOTT	
10-02-301-011	1	1300 ALSTOTT	
10-02-301-012	1	1320 ALSTOTT	
10-02-301-013	1	1340 ALSTOTT	
10-02-301-014	1	1360 ALSTOTT	
10-02-301-015	1	1380 ALSTOTT	
10-02-301-016	1	1400 ALSTOTT	
10-02-301-017	1	1420 ALSTOTT	
10-02-301-018	1	1440 ALSTOTT	
10-02-301-019	1	1458 ALSTOTT	
10-02-301-020	1	1476 ALSTOTT	
10-02-301-021	1	1494 ALSTOTT	
10-02-301-022	1	1447 ALSTOTT	
10-02-301-023	1	1423 ALSTOTT	
10-02-301-024	1	1399 ALSTOTT	
10-02-301-025	1	1375 ALSTOTT	
10-02-301-026	1	1351 ALSTOTT	
10-02-301-027	1	1327 ALSTOTT	
10-02-301-028	1	1305 ALSTOTT	
10-02-301-029	1	1279 ALSTOTT	
10-02-301-030	1	1245 ALSTOTT	
10-02-301-031	1	1209 ALSTOTT	
10-02-301-032	1	1128 ALSTOTT	

10-02-301-033	1	1151 ALSTOTT
10-02-301-034	1	1187 ALSTOTT
10-02-301-035	1	1211 ALSTOTT
10-02-301-036	1	1231 ALSTOTT
10-02-301-037	1	1257 ALSTOTT
10-02-301-038	1	1285 ALSTOTT
10-02-301-039	1	1305 ALSTOTT
10-02-301-040	1	1325 ALSTOTT
10-02-301-041	1	1345 ALSTOTT
10-02-301-042	1	1365 ALSTOTT
10-02-301-043	1	1385 ALSTOTT
10-02-301-044	1	1405 ALSTOTT
10-02-301-045	1	1425 ALSTOTT
10-02-301-046	1	1455 ALSTOTT
10-02-301-047	1	1492 ALSTOTT
10-02-301-048	1	1454 ALSTOTT
10-02-301-049	1	1418 ALSTOTT
10-02-301-050	1	1394 ALSTOTT
10-02-301-051	1	1370 ALSTOTT
10-02-301-052	1	1346 ALSTOTT
10-02-301-053	1	1322 ALSTOTT
10-02-301-054	1	1298 ALSTOTT
10-02-301-055	1	1274 ALSTOTT
10-02-301-056	1	1250 ALSTOTT
10-02-301-057	1	1230 ALSTOTT
10-02-301-058	1	1210 ALSTOTT DR
10-02-301-059	1	1182 ALSTOTT
10-02-301-060	1	1156 ALSTOTT
10-02-401-001	1	1160 PEAVY RD
10-02-401-002	1	1172 PEAVY RD
10-02-401-003	1	1180 PEAVY RD
10-02-401-004	1	1188 PEAVY RD
10-02-401-005	1	1198 PEAVY RD
10-02-401-006	1	1210 PEAVY RD
10-02-401-007	1	1222 PEAVY RD
10-02-401-008	1	1234 PEAVY RD
10-02-401-009	1	1246 PEAVY RD
10-02-401-010	1	1254 PEAVY RD
10-02-401-011	1	1260 PEAVY RD
10-02-401-012	1	1266 PEAVY RD
10-02-401-013	1	1268 PEAVY RD
10-02-401-014	1	1294 PEAVY RD
10-02-401-015	1	1320 PEAVY RD
10-02-401-016	1	1342 PEAVY RD
10-02-401-017	1	1149 PEAVY RD
10-02-401-018	1	1163 PEAVY RD
10-02-401-019	1	1175 PEAVY RD
10-02-401-020	1	1185 PEAVY RD
10-02-401-021	1	1197 PEAVY RD
10-02-401-022	1	1209 PEAVY RD
10-02-401-023	1	1219 PEAVY RD
10-02-401-024	1	1233 PEAVY RD

10-02-401-025	1	1245 PEAVY RD
10-02-401-026	1	1257 PEAVY RD
10-02-401-027	1	0 PEAVY RD
10-02-401-028	1	1267 PEAVY RD
10-02-401-029	1	1293 PEAVY RD
10-02-401-030	1	1315 PEAVY RD
10-02-401-031	1	1333 PEAVY RD
10-11-101-001	1	1030 TRACILEE DR
10-11-101-002	1	1050 TRACILEE DR
10-11-101-003	1	1070 TRACILEE DR
10-11-101-004	1	1090 TRACILEE DR
10-11-101-005	1	1110 TRACILEE DR
10-11-101-006	1	1130 TRACILEE DR
10-11-101-007	1	1150 TRACILEE DR
10-11-101-008	1	1190 TRACILEE DR
10-11-101-009	1	1210 TRACILEE DR
10-11-101-010	1	1230 TRACILEE DR
10-11-101-011	1	1250 TRACILEE DR
10-11-101-012	1	1270 TRACILEE DR
10-11-101-013	1	1290 TRACILEE DR
10-11-101-014	1	1310 TRACILEE DR
10-11-101-015	1	1330 TRACILEE DR
10-11-101-016	1	1350 TRACILEE DR
10-11-101-017	1	1390 TRACILEE DR
10-11-101-018	1	1435 TRACILEE DR
10-11-101-019	1	1405 TRACILEE DR
10-11-101-020	1	1375 TRACILEE DR
10-11-101-021	1	1345 TRACILEE DR
10-11-101-022	1	1311 TRACILEE DR
10-11-101-023	1	1289 TRACILEE DR
10-11-101-024	1	1265 TRACILEE DR
10-11-101-025	1	1245 TRACILEE DR
10-11-101-026	1	1215 TRACILEE DR
10-11-101-027	1	1195 TRACILEE DR
10-11-101-028	1	1167 TRACILEE DR
10-11-101-029	1	1137 TRACILEE DR
10-11-101-030	1	1111 TRACILEE DR
10-11-101-031	1	1091 TRACILEE DR
10-11-101-032	1	1071 TRACILEE DR
10-11-101-033	1	1051 TRACILEE DR
10-11-101-034	1	1031 TRACILEE DR
10-11-101-035	1	1418 TRACILEE DR
10-11-200-016	1	1375 PEAVY RD
10-11-200-017	54	0 PEAVY RD
Total	355	Meadows West (phase 2)