

**City of Flint  
Receivership Transition Advisory Board Agenda**

**Special Meeting  
Wednesday – November 29, 2017  
2:00 PM**

Richard H. Austin Building  
State Treasurer Board Room – 1st Floor  
430 W. Allegan St.  
Lansing, Michigan 48922

**I. CALL TO ORDER**

- A. Roll Call
- B. Approval of Agenda

**II. UNFINISHED BUSINESS**

None

**III. NEW BUSINESS**

- A. Resolution #354.3 (Master Agreement Between the City of Flint, Department of Environmental Quality of the State of Michigan, the Genesee County Drain Commissioner, the Great Lakes Water Authority and the Karegnondi Water Authority) (attachment #1)
- B. Any Other Business as Necessary

**IV. PUBLIC COMMENT**

**V. ADJOURNMENT**

RESOLUTION NO.: \_\_\_\_\_

PRESENTED: 11-21-2017

ADOPTED: \_\_\_\_\_

**AMENDED RESOLUTION TO APPROVE MASTER AGREEMENT BETWEEN THE CITY OF FLINT, DEPARTMENT OF ENVIRONMENTAL QUALITY OF THE STATE OF MICHIGAN, THE GENESEE COUNTY DRAIN COMMISSIONER, THE GREAT LAKES WATER AUTHORITY AND THE KAREGNONDI WATER AUTHORITY**

**BY THE MAYOR:**

The City of Flint (“COF”), Department of Environmental Quality of the State of Michigan (“DEQ”), the Genesee County Drain Commissioner (“GCDC”), the Great Lakes Water Authority (“GLWA”), and the Karegnondi Water Authority (“KWA”) have worked in collaboration for the purposes of effectuating the overall agreement described in the Statement of Principles for Long Term Water Delivery to the City of Flint (“Statement of Principles”), signed by the Parties and dated April 18, 2017 and implemented through the Master Agreement and the exhibits attached thereto and incorporated therein (collectively, referred to as the “Transaction Documents”).

**WHEREAS**, the aforementioned parties have come to a collective agreement to enter into a partnership for the purpose of Flint receiving long term water source from GLWA to provide safe drinking water to the residents of the City, to relieve the City of its debt service payment obligations on the KWA bonds, obtain ownership of the 72-inch pipe and a backup water source in the event of an emergency.

**WHEREAS**, The Mayor and Flint City Council have worked in collaboration with the State which has resulted in the Governor's legal counsel, stating in writing that the current board member of GLWA appointed by the Governor will be asked to resign and that upon application of a qualified representative from the City of Flint, the Governor intends to appoint a Flint resident to that seat; that \$750,000 will be granted to the City of Flint, in some combination of GLWA Water Residential Assistance Program (WRAP) funds and by the State of Michigan from its Reserve Fund, for estimated water bill relief; that funds earmarked in the WIIN Fund for residential infrastructure will be immediately released by the State of Michigan to the City of Flint upon submittal and approval by EPA of an Intended Use Plan based on the amended Project Plan to be submitted by the City of Flint and proof of qualified expenditures pursuant to that Plan; and that the State of Michigan will request that the General Motors Engine Plant return as a user of the City of Flint water supply system.

**WHEREAS**, GLWA and the City have agreed to a Water Service Contract (“Water Contract”) regarding the long-term service of potable water to the City of Flint. Great Lakes Water Authority shall sell and supply water to the City of Flint in accordance with the terms of the GLWA/Flint Water Contract for a period of thirty years from the effective date of the GLWA/Flint

Water Contract. The Master Agreement along with the following exhibits comprising the Transaction Documents are attached:

- Exhibit A - GLWA/Flint Water Contract
- Exhibit A-2 - Irrevocable License of Essential Water Mains and Raw Water Rights
- Exhibit B - GLWA/GCDC Finished and Backup Water Contract
- Exhibit C - Baseline Trust and All Receipts Trust Agreement
- Exhibit D - KWA/GLWA/Flint Three Party Agreement
- Exhibit E - DEQ/GCDC Grant Agreement (City not a party)
- Exhibit F - Contract for Deed, Quit Claim Deed for 72-inch pipe and Bill of Sale related to 72-inch pipe, License of 72 Inch Main by City of Flint to GLWA, and Sublicense of the 72 Inch Main by GLWA to the County of Genesee
- Exhibit G - KWA/Flint Raw Water Contract Amendments (Exhibits to Three Party Agreement)
- Exhibit H - Letter from the Governor's legal counsel

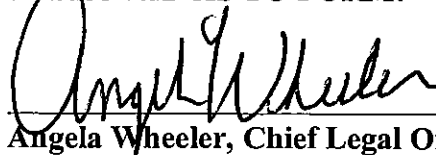
**WHEREAS**, Mayor Karen Weaver recommends that the Water Service Contract should be entered into in collaboration with the DEQ, GCDC, GLWA and KWA.

**WHEREAS**, Subject to GLWA Board approval that the language that was added to the proposed Master Agreement (other than timing adjustments) and Article 12.04(B) & (F), (G), (H) and 12.06 that expired on October 1, 2017, be removed; that upon full execution of such agreements, the Michigan Department of Environmental Quality and the City of Flint and the Flint City Council all stipulate to setting aside the judgment, withdrawing of all pleadings and other filings by all parties in US District Court Case No. 17-12107, and that the case be dismissed; and that the Great Lakes Water Authority be advised that the Flint City Council withdraws all statements in all its pleadings regarding the non-payment of water bills owed to the Great Lakes Water Authority by the City of Flint. ("Additional Terms").

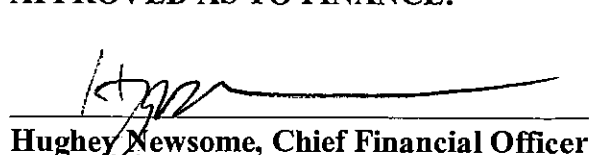
**NOW THEREFORE BE IT RESOLVED** that the Flint City Council approves the Master Agreement and the Exhibits attached to the master agreement, inclusive of the Water Service Contract between the City of Flint and the Great Lakes Water Authority contingent upon the Additional Terms; and

The Mayor and the City Clerk are authorized to execute and deliver the Transaction Documents to be executed by the City and to do all other things necessary to effectuate the execution and delivery of the Transaction Documents in accordance with the provisions of this Resolution.


**APPROVED AS TO FORM:**

  
Angela Wheeler, Chief Legal Officer

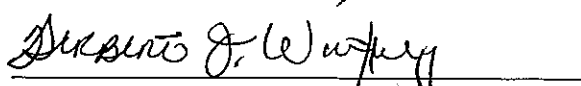
**APPROVED AS TO FINANCE:**

  
Hughey Newsome, Chief Financial Officer

**FOR THE CITY OF FLINT:**

  
Dr. Karen W. Weaver, Mayor

**APPROVED BY CITY COUNCIL:**

  
Herbert Winfrey, City Council President

PRESENTED TO CITY COUNCIL:

11-21-2017

ADOPTED BY CITY COUNCIL:

11-21-2017

## Master Agreement

This Master Agreement is made as of the date of execution, between and among the City of Flint (“the City”), the Department of Environmental Quality of the State of Michigan (“DEQ”), the Genesee County Drain Commissioner (“GCDC”), the Great Lakes Water Authority (“GLWA”), and the Karegnondi Water Authority (“KWA”) (together, the “Parties”, or each singly a “Party”), for the purposes of effectuating the overall agreement described in the Statement of Principles for Long Term Water Delivery to the City of Flint (“Statement of Principles”), signed by the Parties and dated 18 April 2017, which is attached to this document as Attachment 1.

- A. **Incorporation.** This Master Agreement fully incorporates the agreements that are Exhibits to this Master Agreement as listed in Paragraph I, and such Exhibits therefore shall be considered part of this Master Agreement unless clearly stated otherwise in this Master Agreement.
- B. **Third Party Beneficiaries.** The parties acknowledge and agree that all Parties benefit from the interlocking set of transactions that together encompass this Master Agreement, and that all promises by any single Party as part of this Master Agreement (including those made in the Exhibits to this Master Agreement) are made to the benefit of all Parties to this Master Agreement. The Parties acknowledge and agree that each Party, and each of its respective successors and assigns, shall have all the rights of a third-party beneficiary in respect to this Master Agreement and shall be entitled to rely upon and directly enforce its provisions. Such rights vest immediately upon execution of this Master Agreement by all Parties. Nothing in this clause shall be read to allow enforcement of third party beneficiary rights if such enforcement would abridge, impair, or destroy the rights which the promisee of a promise made for the benefit of another person or would otherwise have as a result of such promise. Nothing in this clause shall be read to create a third party beneficiary right or to allow enforcement of third party beneficiary rights by an individual or entity that is not a Party, successor to a Party, or assignee of a Party to this Master Agreement. Notwithstanding anything herein to the contrary, the provisions of this Paragraph B shall only apply to Exhibits A, B, C, D, and E to this Master Agreement, and shall not apply to any other Exhibits.

The Parties are aware that the necessity to enter into this Master Agreement, its validity, or the capacity of the City of Flint to enter into this Master Agreement are subject to challenge in the case of *MDEQ v City of Flint*, USDC case No. 17-12107 DML-SDD (the “Litigation”). GLWA, GCDC, and KWA are not plaintiffs or defendants in the Litigation.

The Parties to the Master Agreement wish to ensure that the Litigation does not impose additional costs or burdens on them. The Parties agree that if (a) (1) the City of Flint files an action with the City named as plaintiff (2) an action pursuant to a binding resolution of the City Council (3) by a simple majority of the City Council, which is 5 members, (4) the Mayor, (5) City Administrator, (6) City Clerk, or in the

event that an action is filed by an (7) City executive staff member or principal official, which includes members responsible for budget, personnel, planning, legal counsel and administrative services, (8) executive department heads, which are defined as public safety, public works, utilities, parks and recreations, transportation including aviation, finance, community development and environmental protection; or (9) City board, commission or agency, (each, a "Flint Challenger") and/or (b) (1) no more than 4 City Council member(s) or unauthorized (2) instrumentality of the City (3) officer (4) employee, and/or (5) any other individual purportedly acting on behalf of the City (each a "Potential Flint Challenger") and/or (c) a third party, including a former officer or a former employee (each, a "Third Party Challenger") challenges the validity, execution or the capacity of any Party or the Signatory Representative of any Party to enter into the Master Agreement, then the City of Flint shall reimburse any other Party(ies) to this Master Agreement for that Party's expenses associated with enforcing, upholding or defending the Master Agreement. The rights and remedies set forth are intended to be an addition and supplement to the specific rights and remedies contained in any Exhibit within the Master Agreement.

In the event any litigation is brought that attempts to invalidate or nullify this Master Agreement or any of its incorporated Agreements, the Parties agree to give reasonable notice to each other of the litigation.

- C. **Amendment.** This Master Agreement may not be amended without the consent of all Parties. Any Parties to agreements that are Exhibits to this Master Agreement, if they wish to amend such as Exhibit, must give no less than 45 days' written notice to all Parties. If requested by any Party, the signatories to the affected Exhibit must meet and confer with the requesting Party regarding a proposed amendment within 15 days of receiving such a request. Amendment of any Exhibit may not be done without the consent of all Parties to this Master Agreement, except that a Party that fails to request an opportunity to meet and confer within 15 days of receiving notice of a proposed amendment shall be deemed to have consented to such amendment. Consent to an amendment by any Party shall not be unreasonably withheld. Notwithstanding anything herein to the contrary, the provisions of this Paragraph C shall only apply to Exhibits A, B, C, and D to this Master Agreement, and shall not apply to any other Exhibits.
- D. **Assignment.** This Agreement shall not be assigned, in whole or in part, by any Party without the prior written consent of all of the other Parties provided. Consent to an assignment by any Party shall not be unreasonably withheld. Notwithstanding anything in this Paragraph D, if an Exhibit to this Master Agreement specifically provides for assignment of such exhibit without consent, nothing in this paragraph shall be read to require consent by any Party to such assignment, and such assignment shall be sufficient to assign all rights under this Master Agreement, including third-party beneficiary rights.
- E. **Terms and Termination.** This Master Agreement shall become effective upon execution by all of the Parties and shall remain in effect until the latest of the

termination dates of Exhibit A, B, C or D upon the time of the first execution of those documents. If any Exhibit to this Master Agreement is later amended to alter a termination date, such amendment shall not be deemed to have altered the termination date of this Master Agreement. The Master Agreement may only be terminated prior to the end of the term with the written consent of all Parties.

If for any reason the Master Agreement and/or the Water Service Contract between GLWA and the City of Flint are/is declared void or nullified for any reason during its Term, then the City of Flint shall pay to GLWA the total amount of the credits issued to the City of Flint. In the event the City of Flint wishes to repay such credits over a period of years, it may do so in one of two ways. The City of Flint may repay such credits over a period of not more than five years (or such longer period as may be agreed upon by the City of Flint and GLWA) by (a) executing a new water service contract for the standard term or (b) by serving as a non-contract customer with GLWA for the designated period of years, for water at then-prevailing rates for non-contract customers.

- F. **Authority to Enter into this Master Agreement.** Each of the Parties hereby represents and warrants that it is duly authorized and empowered to execute, deliver, and perform this Master Agreement and that such action does not conflict with, or violate, any provision of law, regulation, rule, policy, contract, or other instrument to which it is a party or by which it is bound and that this Master Agreement constitutes a valid and binding obligation of it enforceable in accordance with its terms.

The City is a home rule city, organized under Act 279 of 1909, as amended ("Act 279") with full power and authority under Act 279 to own and operate its water supply system, and execute, deliver and perform the agreements contemplated hereby. Each of GLWA and KWA are municipal authorities, organized under Act 233 of 1955, as amended ("Act 233") with full power and authority under Act 233 and Act 94 of 1933, as amended ("Act 94") to own, operate and finance their respective water supply systems, and execute, deliver and perform the agreements contemplated hereby. GCDC is a Michigan county agency organized pursuant to Act 342 of 1939, as amended ("Act 342"), to own and operate its water supply system, and execute, deliver and perform the agreements contemplated hereby.

- G. **Counterparts.** This Master Agreement may be executed in counter parts.
- H. **Severability.** If any provision of this Master Agreement or its application to any Party or circumstance shall to any extent be invalid or unenforceable, the remainder of this Master Agreement shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law. Similarly, if any provision of any Exhibit to this Master Agreement or its application to any signatory or circumstance shall to any extent be invalid or unenforceable, the remainder of this Master Agreement shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law.

I. **Exhibits.** The following are the Exhibits to this Master Agreement:

Exhibit A	Water Service Contract Between Great Lakes Water Authority, a Michigan Municipal Authority, and City of Flint, together with Irrevocable License of Essential Water Mains and Raw Water Rights
Exhibit B	Reciprocal Backup Water Service Contract Between Great Lakes Water Authority, a Michigan Municipal Authority and Genesee County Drain Commissioner, a Michigan County Agency
Exhibit C	Baseline and All Receipts Trust Agreement
Exhibit D	Three Party Agreement
Exhibit E	Grant Agreement
Exhibit F	Contract for Deed and Bill of Sale, License and Sublicense of 72-inch Water Main
Exhibit G	Second Addendum to Raw Water Supply Contract (Exhibit to Three Party Agreement)

*(Signatures to Follow on Separate Page)*



Agreed to by:

**City of Flint**

\_\_\_\_\_  
By: Karen Weaver  
Its: Mayor

\_\_\_\_\_  
Date

**Department of Environmental Quality  
State of Michigan**

\_\_\_\_\_  
By: C. Heidi Grether  
Its: Director

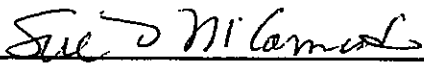
\_\_\_\_\_  
Date

**Genesee County Drain Commissioner --  
Division of Water & Waste Services**

\_\_\_\_\_  
By: Jeffrey Wright  
Its: Drain Commissioner

\_\_\_\_\_  
Date

**Great Lakes Water Authority**

  
\_\_\_\_\_  
By: Sue F. McCormick  
Its: CEO

\_\_\_\_\_  
Date 11. 3. 17

**Karegnondi Water Authority**

\_\_\_\_\_  
By: John O'Brien  
Its: Deputy CEO

\_\_\_\_\_  
Date

Agreed to by:

**City of Flint**

\_\_\_\_\_  
By: Karen Weaver  
Its: Mayor

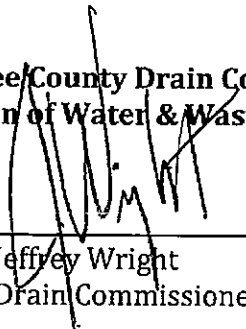
\_\_\_\_\_  
Date

**Department of Environmental Quality  
State of Michigan**

\_\_\_\_\_  
By: Heidi C. Grether  
Its: Director

\_\_\_\_\_  
Date

**Genesee County Drain Commissioner --  
Division of Water & Waste Services**

  
\_\_\_\_\_  
By: Jeffrey Wright  
Its: Drain Commissioner

\_\_\_\_\_  
Date

11-3-17

**Great Lakes Water Authority**

\_\_\_\_\_  
By: Sue F. McCormick  
Its: CEO

\_\_\_\_\_  
Date

**Karegnondi Water Authority**

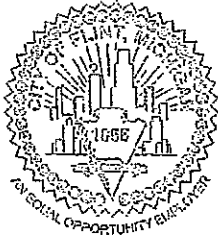
  
\_\_\_\_\_  
By: John O'Brien  
Its: Deputy CEO

\_\_\_\_\_  
Date

11/3/17

**ATTACHMENT 1**

**STATEMENT OF PRINCIPLES**



## CITY OF FLINT

### Statement of Principles

Dr. Karen W. Weaver  
Mayor

### Long Term Water Delivery to the City of Flint

*The below represents a statement of the structure for a set of inter-related transactions that will comprise an overall agreement resulting in primary and backup water for the City of Flint and system improvements for all parties. The signatories agree to work in good faith to speedily agree to the necessary legal documents (in the form of an overall master agreement with each individual agreement as an exhibit to that master agreement). They further agree to use their best efforts to secure all authorization or approvals required by the entity's policies, ordinances, and governing law for those agreements from all governing bodies necessary to put these agreements into effect as soon as is practicable.*

1. The Great Lakes Water Authority (GLWA) will provide long-term wholesale finished water services to Flint, with pricing for the services that treats Flint similarly to all other GLWA wholesale model contract customers, including access to Water Residential Assistance Program funds to assist low-income customers. GLWA will receive the right that Flint has to purchase raw water through the Karegnondi Water Authority (KWA) and credit Flint in like amount to the debt paid during the contract period.
2. Certain trust arrangements will be put in place for ease of flow of funds from Flint to GLWA and the KWA in normal operation. Additionally, in the event Flint does not fully meet its obligations to the KWA, the Genesee County Drain Commission (GCDC), and GLWA, an alternative trust will come into operation. That trust would receive all Flint customer collections and ensure a flow of funds to meet obligations to the KWA, GCDC, and GLWA. Additionally, Flint will provide a customer security deposit of \$3.75M with GLWA, for no less than two years and no greater than six years (as long as timely payments are made and agreed upon performance objectives met). KWA has a conditional right to access the customer security deposit under certain circumstances.
3. GLWA will provide short-term wholesale finished water services to the GCDC until the GCDC water treatment plant is operational and servicing GCDC's customers, with pricing for the services that treats GCDC similarly to all other GLWA wholesale model contract customers.
4. GLWA and the GCDC will provide one another with reciprocal backup water services. The price for backup water services will be established through an agreed upon detailed pricing methodology in the contract and it will be the same for both parties.
5. The State of Michigan (State), through its Department of Environmental Quality (DEQ), will provide a grant in an amount of \$7.5M to the GCDC for installing a 42-inch transmission main parallel to the existing 72-inch transmission main that currently supplies treated water from the GLWA to GCDC customers and Flint. This will allow GCDC to supply treated water from its new water treatment plant to its customers on or after October 2017. The 72-inch transmission line will be returned to Flint's ownership.
6. The State will provide assistance, in compliance with all existing laws, to GCDC, Flint and the KWA in obtaining refinancing of the 2016 KWA bond issue and in completing the approval process for the GCDC to use its water treatment plant.

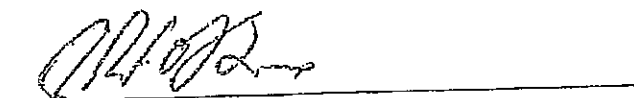
7. Flint will build a new supply connection from the end of the GCDC service system north of Flint to the Flint water system to provide a backup water supply. Flint intends to utilize WIIN funding to complete this project.

Signed by:



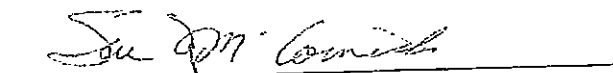
City of Flint

By: Dr. Karen W. Weaver, Mayor



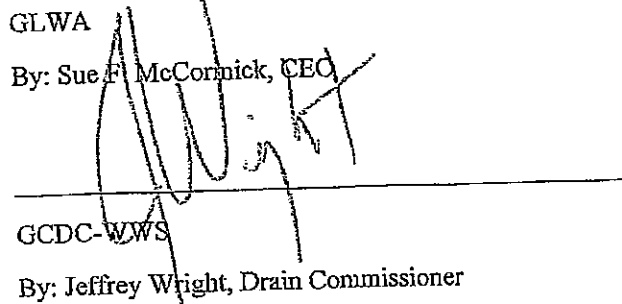
KWA

By: John O'Brien, Deputy CEO



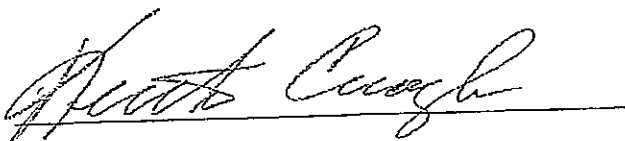
GLWA

By: Sue F. McCormick, CEO



GCDC-WWS

By: Jeffrey Wright, Drain Commissioner



State of Michigan

By: Keith Creagh, Director

# **EXHIBIT A**

**WATER SERVICE CONTRACT**

**BETWEEN**

**GREAT LAKES WATER AUTHORITY, A MICHIGAN MUNICIPAL AUTHORITY**

**AND**

**CITY OF FLINT, A MICHIGAN MUNICIPAL CORPORATION**

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**WATER SERVICE CONTRACT  
BETWEEN  
GREAT LAKES WATER AUTHORITY  
AND  
CITY OF FLINT**

This Water Service Contract is made between the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended, with its principal place of business located at 735 Randolph, Detroit, Michigan 48226, and the City of Flint, a Michigan municipal corporation. GLWA and Customer may be referred to individually as “Party” or collectively as the “Parties.”

**Recitals**

The purpose of this Contract is to provide for the long-term service of potable water to Customer; and

On September 9, 2014, the State of Michigan, the Counties of Macomb, Oakland, and Wayne, and the City of Detroit entered into a Memorandum of Understanding (“MOU”) regarding the formation of the GLWA; and

Page 4-5 of the MOU states that for the water and sewer systems operated by GLWA, “Each system, as a whole, is assumed to experience revenue requirement increases of not more than 4% for each of the first ten years under Authority management. The rates and percentage increases for different customers may vary in order to meet their specific revenue requirements”; and

Page 3 of the MOU further provides for and GLWA has established a Water Residential Assistance Program (“WRAP”) funded annually in “an amount equal to .5% of the base budgeted operating revenues”; and

On June 12, 2015, GLWA and the City of Detroit entered into a Regional Water Supply System Lease (the “Lease”) for the purpose of leasing the System owned by the City of Detroit which System, under the terms and conditions of the Lease, will be operated and maintained by the GLWA for a minimum term of 40 years; and

Under the terms and conditions of the Lease, all wholesale service functions previously conducted by the City of Detroit are now conducted by GLWA; and

Customer seeks to obtain water services from GLWA, which GLWA is willing and able to provide; and

The Parties have been advised that the Michigan Department of Environmental Quality (“MDEQ”) will require Customer to maintain a redundant source of water supply in addition to water supplied by GLWA for use in case of emergency; and

GCDC is willing and able to provide GLWA with a portion of the required redundant source of water supply for Customer; and

As a part of the consideration for this Contract, Customer will be eligible to participate in GLWA's WRAP consistent with the terms of the WRAP as may be amended from time-to-time; and

GLWA and Customer will operate their respective water systems in a manner which benefits all GLWA customers; and

The City of Detroit implemented and GLWA continues a voluntary partnering effort with its wholesale water customers, of which the Technical Advisory Committee is a central part, and which is intended to assist GLWA in data gathering, alternative evaluations and recommendations, achieving full disclosure of charges, identifying true cost of service principles to guide revenue collection, and to provide assistance with a cohesive planning effort for GLWA's water service area; and now,

ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:

**Article 1.  
Definitions**

1.01 The following words and expressions, or pronouns used in their stead, shall be construed as follows:

**"Adjusted Prevailing Water Charge"** shall have the meaning ascribed in Article 3 herein.

**"Allocation Flow Rate"** shall mean the value that is established as a result of a breach of Section 5.03 herein and which value shall replace the contractual Maximum Flow Rate in the charge calculation process in the event that Section 5.04(C) herein is applied by GLWA.

**"Annual Volume"** shall mean the actual volume of water used by Customer for the period of July 1<sup>st</sup> to June 30<sup>th</sup> as measured on bills issued from August 1<sup>st</sup> through July 31<sup>st</sup>.

**"Board"** shall mean the GLWA Board of Directors.

**"Contract"** shall mean each of the various provisions and parts of this document, including all attached Exhibits and any amendments thereto, as may be executed and approved by Customer's governing body and the Board.

**"Contract Term"** shall have the meaning ascribed in Article 2 herein.

**"Customer"** shall mean the Party that enters into a contract with GLWA by way of this Contract, whether an authority, city, township, village or other municipal corporation recognized by the State of Michigan.

**“Customer Maximum Day Demand”** shall mean Customer’s recorded water usage on the GLWA Maximum Day. Customer Maximum Day Demand shall, in conjunction with Customer Peak Hour Demand, be a component of its Maximum Flow Rate.

**“Customer Peak Hour Demand”** shall mean Customer’s recorded water usage during the GLWA Peak Hour. Customer Peak Hour Demand, in conjunction with Customer Maximum Day Demand, shall be a component of its Maximum Flow Rate.

**“Early Termination Costs”** shall have the meaning ascribed in Article 3 herein.

**“Filling Schedule”** shall have the meaning ascribed in Article 22 herein.

**“GCDC”** shall mean the Genesee County Drain Commissioner, a county agency of Genesee County under the authority granted by Act 342, Public Acts of Michigan, 1939, as amended, including its successors in interest.

**“GLWA”** shall mean the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended, governed by its Board of Directors and its day-to-day operations conducted by its Chief Executive Officer, including its successors in interest.

**“GLWA Maximum Day”** shall mean the maximum reported water production day for the System during any twenty-four hour period as measured from 12:00 a.m. Eastern Standard Time in any given calendar year, as determined by GLWA in reviewing water production and storage reports.

**“GLWA Peak Hour”** shall mean the hour during the GLWA Maximum Day in which the most water is delivered to the System, measured from top-of-the-hour to top-of-the-hour (e.g. 7:00 a.m. to 8:00 a.m.), and as determined by GLWA in reviewing water production and pumping reports. In calculating the GLWA Peak Hour, the time period from 11:00 PM to 5:00 AM Eastern Standard Time (EST) shall not be considered provided, however, that if Customer has an approved Filling Schedule, the time period specified in the Filling Schedule shall supersede the time period of 11:00 PM to 5:00 AM EST.

**“KWA”** shall mean the Karegnondi Water Authority, a Michigan municipal authority organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended, including its successors in interest.

**“KWA Refunding Bonds”** means any bonds issued by KWA pursuant to the KWA Financing Contract (including any future supplement or amendment thereto) to refund, directly or indirectly through a series of refundings, all or any portion of the KWA System Bonds.

**“KWA System Bonds”** means, collectively, the Series 2014 Bonds and the Series 2016 Bonds.

**“New KWA Bonds”** means any bonds issued after the Effective Date (as defined in Section 2.01) by KWA for which Customer has agreed or agrees, by contract or otherwise, to pay all or a portion of the debt service on such bonds. For the avoidance of doubt, “New KWA Bonds” does not include the KWA System Bonds or the KWA Refunding Bonds.

**“Maximum Flow Rate”** shall mean the aggregate amount of water usage that Customer commits not to exceed, as determined by the Customer Maximum Day Demand and the Customer Peak Hour Demand, collectively.

**“Meter Facilities”** shall mean a location in which a water meter is housed including, without limitation, meter pits and meter vaults.

**“MGD”** shall mean million gallons per day.

**“Minimum Annual Volume”** shall mean fifty percent of Customer’s Projected Annual Volume.

**“Notices”** shall mean all notices, consents, approvals, requests and other communications required to be given under the terms of this Contract.

**“Pressure Problem”** shall have the meaning ascribed in Article 5 herein.

**“Pressure Range”** shall have the meaning ascribed in Article 5 herein.

**“Projected Annual Volume”** shall mean the projected annual water sales to Customer as set forth in Exhibit B.

**“Series 2014 Bonds”** means the \$220,500,000 original principal amount Water Supply System Bonds (Karegnondi Water Pipeline), Series 2014A, issued by KWA pursuant to the Financing Contract (as defined in Section 25.01).

**“Series 2016 Bonds”** means the \$74,370,000 original principal amount Water Supply System Bonds (Karegnondi Water Pipeline), Series 2016, issued by KWA pursuant to the Financing Contract (as defined in Section 25.01).

**“Service Area”** shall mean the mutually agreed upon area where Customer is permitted to distribute water received from GLWA under the terms of this Contract which (a) may be entirely within the corporate limits of Customer or may exceed the corporate limits of Customer and (b) which may or may not include the entire geographical area within the Customer’s corporate limits.

**“System”** shall mean the public water works system leased, operated and maintained by GLWA and owned by the City of Detroit and, beginning on January 1, 2016, any improvements, additions and/or changes to the System made by GLWA, which improvements, additions and/or changes shall be owned, operated and maintained by GLWA.

**“Technical Advisory Committee”** shall mean the committee consisting of representatives of GLWA, wholesale water customers of GLWA and their respective representatives, and shall include its successor or replacement if altered or discontinued. The Technical Advisory Committee or its successor shall remain in existence for a minimum term of January 1, 2008 until December 31, 2038 unless the committee determines otherwise.

**“Water Distribution Points”** shall have the meaning ascribed in Article 4 herein.

## **Article 2. Contract Term**

- 2.01 Term. GLWA shall sell and supply water to Customer from the System in accordance with the terms of this Contract for a period of thirty years from the effective date of this Contract and any ten-year renewal terms (collectively the “Contract Term”), subject to Article 3 herein. The effective date of this Contract shall be the Effective Date of the Master Agreement to which this Contract is attached as Exhibit A (“Effective Date”). This Contract replaces and supersedes any prior water service contracts between the Parties and any prior water service contracts between the City of Detroit and Customer.
- 2.02 Renewal. In addition to the terms of Section 26.01(A), this Contract shall automatically renew at the conclusion of the thirty-year term for an additional ten-year term, unless a Party provides written notification to the other Party in accordance with Article 16 on or before the conclusion of the twenty-fifth year of the thirty-year term stating its intent not to renew this Contract. Thereafter, this Contract shall automatically renew every ten years for an additional ten-year term, unless a Party provides written notification to the other Party in accordance with Article 16 on or before the conclusion of the fifth year of the then current ten-year term stating its intent not to renew this Contract. The automatic renewals of this Contract shall not preclude a review of its terms and the Parties are encouraged to reaffirm or amend its terms as necessary. The Parties may, in writing, mutually agree upon a longer renewal term.
- 2.03 Notification of Renewal. GLWA shall notify Customer of its first Contract renewal option during the twenty-fifth year of the thirty-year term; provided, however, that GLWA’s failure to so notify Customer shall not obviate Customer’s obligations as set forth in Section 2.02.

## **Article 3. Early Termination Costs**

- 3.01 Early Termination Costs. In addition to any other remedies provided for by law or by the terms of this Contract, Customer shall be liable to GLWA for the payment of any costs incurred by GLWA related to providing water to Customer in the event Customer terminates this Contract before the conclusion of a Contract Term (“Early Termination Costs”), unless Customer terminates this Contract for cause in accordance with Article 10; provided, however, that payment of such Early Termination Costs by Customer shall not entitle Customer to receive water service from GLWA.

- 3.02 Calculation of Costs. Payment of Early Termination Costs will be calculated by applying the Adjusted Prevailing Water Charge to the Minimum Annual Volume requirements for the remainder of the Contract Term. The Adjusted Prevailing Water Charge shall be the charge assessed by GLWA to Customer as of Customer's effective termination date, adjusted annually to reflect projected inflationary increases utilizing a locally based wholesale price index. The Parties may agree upon another standardized price index. The Board may seek a recommendation from the Technical Advisory Committee on the amount of the Early Termination Costs.
- 3.03 Specifically Constructed Facilities. If GLWA has constructed or the City of Detroit previously constructed facilities specifically for the benefit of Customer, additional costs may be included in the calculation of the Early Termination Costs, provided that any such facilities shall be identified in a written agreement between GLWA and Customer at or near the time of construction. Those facilities, as of the Effective Date, which GLWA considers to have been constructed specifically for the benefit of Customer are indicated on Exhibit A.
- 3.04 Formation of Water Authority. Customer may join with another authority, city, township, village or other municipal corporation recognized by the State of Michigan to form a water authority for the sole purpose of collectively contracting for water service from GLWA. The exercise of this right shall not be construed as an early termination of this Contract and this Contract shall be voided upon the approval of a new water service contract by Customer's governing body and the Board.
- 3.05 Customer Annexation or Consolidation. In the event the territory of Customer is annexed or consolidated with another Michigan municipal corporation and if said municipal corporation is a current customer of GLWA, then such an annexation or consolidation shall not be construed as an early termination of this Contract and this Contract shall be voided upon the approval of a new or amended water service contract with the annexing or consolidating municipal corporation.

#### **Article 4.**

#### **Service Area; License to Use Essential Water Mains**

- 4.01 Delivery Location. Water shall be delivered by GLWA to Customer at the location(s) identified in Exhibit A (collectively, the "Water Distribution Points"), and at other locations as may be mutually agreed upon in writing by GLWA and Customer.
- 4.02 Limit of Responsibility. GLWA shall have no responsibility for distributing, operating, repairing, replacing and maintaining any portions of Customer's water supply system downstream of the Water Distribution Points shown in Exhibit A, provided, however, that this Section 4.02 does not prevent the application of the provisions of Section 11.02 herein.
- 4.03 GLWA Responsibility. GLWA owns or leases, and is responsible for operating and maintaining all parts of the System upstream from Customer's Water Distribution Points which, for the purposes of this Section 4.03, shall not include the future FL-02 Meter Facility which is a part of the GCDC water system. Should GLWA fail to maintain the

Meter Facilities and/or any GLWA owned or leased equipment within the Meter Facilities, Customer shall provide written notice to GLWA which describes the objectionable condition of the Meter Facility and/or the equipment within, and its intent to take reasonable steps to maintain the condition and charge the reasonable cost of doing so to GLWA. Upon receipt of the notice and subject to Section 11.01, GLWA shall have thirty calendar days to repair the condition specified in the notice, unless the nature of the repair or a force majeure event prevents the repair within the thirty-day period. If GLWA has not repaired the condition at the conclusion of the thirty-day period and has not provided a written explanation to Customer explaining the reason for the delay (e.g. necessary parts are on order or occurrence of a force majeure event specified in Section 11.01), then Customer may take reasonable steps to maintain the specified condition and charge the reasonable cost of doing so to GLWA.

A. With reasonable prior written notice to GLWA, and occurring not more than once in any three (3) year period, Customer may at its own expense have an expert acceptable to GLWA inspect and verify the accuracy of GLWA meter(s). GLWA assumes no liability for any disruption of the water supply to Customer associated with such an inspection.

- 4.04 Extension of Service Area. Customer's distribution of water supplied by GLWA shall be limited to the Service Area stated in Exhibit A. The Parties agree that situations may arise in which Customer desires to extend its Service Area, either temporarily or permanently, beyond its corporate limits. Should such a situation arise, Customer shall provide written notice to GLWA explaining the nature, duration and extent of the requested Service Area extension. GLWA shall have the option, which it may exercise at any time, of requiring a written amendment to this Contract to accommodate the change in Service Area. Should GLWA determine that an immediate amendment is required, the Parties shall, within thirty calendar days of Customer's request, meet to negotiate mutually agreeable terms for the extension of the Service Area. GLWA shall not unreasonably deny a request to extend the Service Area.
- 4.05 Change or Addition of Water Distribution Points. Water Distribution Points may be added or changed only by the express written agreement of GLWA and Customer and shall be embodied in a written amendment to this Contract.
- 4.06 Supplier. Except as provided in Article 17 herein, GLWA shall be the sole supplier of public potable water to Customer's Service Area. GLWA may supply such potable water either through the System or it may purchase the potable water from other water utilities, including without limitation the GCDC.
- 4.07 License of 72 Inch Main. The 72 inch water main extending west from the GLWA Water Distribution Point located at the intersection of Baxter and Potter Roads in Genesee County to the Flint city limits ("72 Inch Main"), as depicted in Exhibit A, shall at all times remain under the ownership or legal control of Customer in order for GLWA to supply potable water in normal and emergency conditions to the Service Area, other GLWA customers, and GCDC and its customers. No later than May 1, 2018, Customer shall operate and maintain in good working condition the 72 Inch Main provided, however, that if Customer thereafter discontinues its use of the Licensed Main (as defined

in Section 4.07 (B)) for delivery of Customer's primary or secondary water source, which discontinuance is otherwise in compliance with the terms of this Contract, then GLWA shall assume responsibility to operate and maintain the Licensed Main in good working condition.

- A. In consideration of the mutual promises and undertakings of this Contract, Customer has granted and hereby grants to GLWA at no additional charge an exclusive, transferrable, non-revocable license, for a term coincident with the term of this Contract and any renewals thereof, to use the 72 Inch Main to supply potable water GLWA receives from GCDC in normal or emergency conditions to the Service Area and other GLWA customers. GLWA agrees that the license granted herein does not transfer title to the 72 Inch Main to GLWA nor does it confer any rights in GLWA to tap new connections into the 72 Inch Main. Customer may not terminate this license at any time prior to the expiration of this Contract, and any renewals thereof, and its exclusive remedies for breach of this Contract are damages and equitable relief. This license shall survive any sale or other transfer of legal control of the 72 Inch Main until the expiration of this Contract, and any renewals thereof.
  
- B. In consideration of the mutual promises and undertakings of this Contract, Customer has granted and hereby grants to GLWA at no additional charge an exclusive, transferrable, perpetual, non-revocable license to use that portion of the 72 Inch Main extending approximately 2500 feet west from the GLWA Water Distribution Point located at the intersection of Baxter and Potter Roads in Genesee County to the water transmission main owned by GCDC and supplying its Henderson Road Pump Station (the "Licensed Main"), and depicted on Exhibit A as EC-1, to supply potable water in normal and emergency conditions to the Service Area, other GLWA customers, and GCDC and its customers. GLWA agrees that the license granted herein does not transfer title to the Licensed Main to GLWA nor does it confer any rights in GLWA to tap new connections into the Licensed Main to serve other GLWA customers without Customer's written approval, which approval shall not be unreasonably withheld. Customer may not terminate this license and its exclusive remedies for breach of this Contract are damages and equitable relief. This license for the Licensed Main shall survive the termination of this Contract and any sale or other transfer of legal control of the 72 Inch Main and/or the Licensed Main.

4.08 License of Dort Highway Main. Customer shall complete construction of the Dort Highway potable water main ("Dort Highway Main"), depicted in Exhibit A, as soon as is practicable but in no case later than December 31, 2019. The Dort Highway Main shall at all times remain under the ownership or legal control of Customer in order for GLWA to supply potable water in normal and emergency conditions to the Service Area and other GLWA customers. Customer shall at all times operate and maintain in good working condition the Dort Highway Main.

- A. In consideration of the mutual promises and undertakings of this Contract, Customer grants to GLWA at no additional charge an exclusive, transferrable, non-revocable license for a term coincident with the term of this Contract and any



renewals thereof to use the Dort Highway Main to supply potable water GLWA receives from GCDC in normal or emergency conditions to the Service Area and other GLWA customers. GLWA agrees that the license granted herein does not transfer title to the Dort Highway Main to GLWA nor does it confer any rights in GLWA to tap new connections into the Dort Highway Main. Customer may not terminate this license at any time prior to the expiration of this Contract, and any renewals thereof, and its exclusive remedies for breach are damages and equitable relief. This license shall survive any sale or other transfer of legal control of the Dort Highway Main until the expiration of this Contract, and any renewals thereof.

4.09 Ownership Change. If at any time the 72 Inch Main, the Licensed Main or the Dort Highway Main is sold or legal control thereof is otherwise transferred to any other entity without GLWA's consent, which consent will not be unreasonably withheld, then:

- A. GLWA will have no obligation to provide water to Customer under the terms of this Contract unless and until ownership or legal control is restored to Customer; and
- B. GLWA will have the right, upon written notice to Customer, to terminate this Contract coincident with the change in ownership or legal control; and
- C. GLWA will have no liability whatsoever to Customer or any third party for any claim for damages under any legal theory or cause of action should GLWA cease providing Customer with water as a result of the application of this Section 4.09.

4.10 Raw Water Main. The Parties acknowledge the existence of a 36-inch raw (non-potable) water main owned by KWA which, as of the Effective Date, extends from the GCDC water treatment plant and terminates at a KWA meter pit in the proximity of Center Road near Pierson Road ("Raw Water Main"), as depicted in Exhibit A. If GLWA desires to connect to the Raw Water Main at a future date, the Parties shall meet and endeavor to determine a mutually agreeable approach on how to utilize such main and assess the costs and charges associated therewith. If the Parties are unable to reach mutual agreement on the matter, then GLWA may connect to the Raw Water Main in its sole and reasonable discretion.

#### **Article 5.**

#### **Pressure; Maximum Flow Rate; Minimum Annual Volume**

5.01 Pressure Range. GLWA shall use its best efforts to deliver water at the Water Distribution Points at a pressure range ("Pressure Range") adequate to meet the reasonable requirements of Customer. For purposes of evaluating this effort, water pressure shall be determined by reviewing the average hourly pressure measured from top-of-the-hour to top-of-the-hour (e.g. 7:00 a.m. to 8:00 a.m.). The Pressure Range to be provided by GLWA to Customer's Water Distribution Points is specified in Exhibit B. The location at which the water pressure will be measured shall be specified in Exhibit A and identified as point "P". A Pressure Range will not be established for water meters that are not located on a GLWA transmission main, or which are located on a GLWA

transmission main and are downstream of and subject to the flow demands of a water meter for another GLWA customer.

5.02 Remedy for Non-Compliance with Pressure Range. If the water pressure at Customer's Water Distribution Points is above or below the Pressure Range, at Customer's request the Parties shall meet within thirty calendar days to discuss the reasons for the non-compliance and, if agreed necessary, develop and implement a mutually agreeable written corrective action plan within sixty calendar days of the meeting, or as otherwise agreed. The corrective action plan shall include a timetable for resolution of the non-compliance issue(s).

- A. If it is determined that another customer's exceedance of the rates of flow established by that customer's Maximum Flow Rate caused or contributed to GLWA's inability to meet its Pressure Range agreement with Customer, then the corrective action plan shall provide for the resolution of the issue.
- B. If Customer is exceeding the rates of flow established by its Maximum Flow Rate on a day other than the GLWA Maximum Day at the time Customer experiences a variation from the Pressure Range, then GLWA shall be relieved from its obligation to provide water to Customer within the Pressure Range for that period of time during which Customer is exceeding the rates of flow established by its Maximum Flow Rate.

5.03 Maximum Flow Rate. Customer's Maximum Flow Rate is specified in Exhibit B. Customer shall not exceed the Maximum Flow Rate specified in Exhibit B, as measured in million gallons on the GLWA Maximum Day and during the GLWA Peak Hour.

- A. GLWA shall notify all customers in writing on or before October 1 of each calendar year if Customer or any other wholesale customer is alleged to have exceeded its Maximum Flow Rate in a given calendar year. The notice shall state the day and/or hour that Customer or any other wholesale water customer is alleged to have exceeded its Maximum Flow Rate.
- B. If Customer is alleged to be in breach of its obligations under this Section 5.03, the Parties shall endeavor to meet before November 1 of the current calendar year, or as soon as practicable, for the purposes of validating the breach, reviewing and analyzing the causes, and to negotiate a possible remedy pursuant to Sections 5.04 and 5.05 herein.
- C. The Technical Advisory Committee's Analytical Work Group, or its successor shall review any alleged breach of this Section 5.03.
  - i. The Analytical Work Group shall meet once, at a minimum, on or before November 1 of each calendar year to review the alleged breaches, if any, and may thereafter schedule subsequent meetings as necessary to conclude its review.

- ii. GLWA will seek a recommendation from the Analytical Work Group on (1) an Allocation Flow Rate, if any, and/or (2) concurrence with the remedy tentatively negotiated between Customer and GLWA, if any. Customer and GLWA shall have the right to present any information related to the alleged breach a Party deems necessary to the deliberations.
- iii. Any recommendation submitted by the Analytical Work Group shall be received by GLWA on or before December 1 of each calendar year.

5.04 Remedy for Non-Compliance with Maximum Flow Rate. GLWA has no obligation to supply to Customer more than the Maximum Flow Rate. If Customer exceeds its Maximum Flow Rate on the GLWA Maximum Day or during the GLWA Peak Hour, GLWA and Customer may, as needed, take one or more of the following actions set forth in this Section 5.04. The applicability of any particular action shall be evaluated by GLWA on a case-by-case basis.

- A. GLWA may require that Customer take all reasonable steps to reduce its consumption to the Maximum Flow Rate. Such steps may include water conservation measures, outdoor water use restrictions, water loss studies and remediation, and an internal system operation evaluation.
- B. The Parties may meet to negotiate a new Maximum Flow Rate. If so negotiated, Customer shall pay the charge associated with the new Maximum Flow Rate in the subsequent fiscal year.
- C. For charge-making and cost allocation purposes only, GLWA may recalculate Customer's charge for the current and/or subsequent fiscal years utilizing a revised cost allocation formula as follows:
  - i. GLWA shall, as set forth below, establish an Allocation Flow Rate to replace the contractual Maximum Flow Rate in the charge calculation process.
  - ii. The Allocation Flow Rate shall be applied from no earlier than the first exceedance date forward.
  - iii. The Allocation Flow Rate will be at least equal to the flow rate demonstrated by Customer on the GLWA Maximum Day, and may be higher than the actual flow rate demonstrated by Customer.
  - iv. Pursuant to Section 5.03(C), if GLWA receives a recommendation on the Allocation Flow Rate to be applied from the Analytical Work Group and the recommendation is higher than twice the amount by which the demonstrated flow rate exceeded the original Maximum Flow Rate, then GLWA shall be limited to establishing an Allocation Flow Rate that is at least equal to the flow rate demonstrated by Customer on the GLWA Maximum Day and no higher than the recommendation provided by the Analytical Work Group.

- v. If no recommendation on the Allocation Flow Rate to be applied is received by GLWA, or if GLWA receives a recommendation and the recommendation is less than twice the amount by which the demonstrated flow rate exceeded the original Maximum Flow Rate, then GLWA shall be limited to establishing an Allocation Flow Rate that is at least equal to the flow rate demonstrated by Customer on the GLWA Maximum Day and no higher than twice the amount by which the demonstrated flow rate exceeded the original Maximum Flow Rate.
- vi. The Allocation Flow Rate will continue to be applied to each subsequent year's charge calculation process until the Maximum Flow Rate is renegotiated.
- vii. If a charge has been approved for the subsequent fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) but the charge has not yet been applied, GLWA may modify Customer's charge for that subsequent fiscal year to account for an exceedance of its Maximum Flow Rate.
- viii. If GLWA and/or the City of Detroit has built capital facilities based upon Customer's negotiated Maximum Flow Rate and Customer consistently exceeds its Maximum Flow Rate, then GLWA may re-calculate the amount of Customer's percentage of the capital cost of such facilities.

5.05 Procedure for Non-Compliance with Maximum Flow Rate. In addition to the remedies specified in Section 5.04, if Customer has failed in its obligations under Section 5.03, the Parties shall meet to discuss the reasons for the non-compliance and if agreed necessary, develop a mutually agreeable written corrective action plan by December 31 of the year in which the non-compliance occurred, or as otherwise agreed. Any corrective action plan required under this Section 5.05 shall include a timetable for resolution of the non-compliance issue(s).

- A. If the Parties determine that a corrective action plan is not required and an incident of non-compliance occurs in the subsequent calendar year, the Parties shall meet to develop a mutually agreeable written corrective action plan by December 31 of the year in which the non-compliance occurred, or as otherwise agreed.
- B. In the event the reason for Customer's non-compliance under Section 5.03 is due to a Customer water main break, fire or meter calibration performed by GLWA, these events will be taken into consideration in determining (1) whether a corrective action plan is warranted and (2) the extent to which, if any, the steps specified in Section 5.04 should apply.

5.06 Minimum Annual Volume. Customer shall purchase from GLWA not less than the Minimum Annual Volume of water specified in Exhibit B. If Customer's Annual Volume is less than the Minimum Annual Volume, Customer shall pay to GLWA an

amount computed by applying the current charge to the Minimum Annual Volume less any amounts already billed to the Customer by GLWA.

5.07 Periodic Review. For Customer and System planning purposes and, with regard to the Minimum Annual Volume, enforcement of the provisions of Article 3, a Maximum Flow Rate, Pressure Range, Projected Annual Volume and Minimum Annual Volume shall be established by mutual agreement for the Contract Term. A contractually binding Maximum Flow Rate, Pressure Range, Projected Annual Volume and Minimum Annual Volume shall be established by mutual agreement for the first two years of the Contract Term. Not later than the second year of the Contract Term, GLWA and Customer shall negotiate a contractually binding Maximum Flow Rate, Pressure Range, Projected Annual Volume and Minimum Annual Volume for the succeeding three years of the Contract Term. Not later than the fifth year of the Contract Term, and every five years thereafter, GLWA and Customer shall negotiate a contractually binding Maximum Flow Rate, Pressure Range, Projected Annual Volume and Minimum Annual Volume for the succeeding five years of the Contract Term. If the Parties do not negotiate new or revised Maximum Flow Rates, Pressure Ranges, Projected Annual Volumes and Minimum Annual Volumes according to the aforementioned schedule, then the figures established for planning purposes (as shown in italicized type in Exhibit B) shall become contractually binding for the then-current three or five year term.

5.08 Remedy for Excessive Rate(s) of Flow Causing Pressure Problem(s). Customer acknowledges that Customer's rates of flow may cause and/or contribute to GLWA's inability to meet its Pressure Range agreements with Customer and/or GLWA's other customers (hereinafter, "Pressure Problem"). GLWA may review or monitor Customer's daily rates of flow if a Pressure Problem occurs and GLWA's Pressure Range agreement with Customer and/or another customer of GLWA is alleged to have been breached. The approximate rate of flow by individual meter location used to establish the Pressure Range and Maximum Flow Rate is specified in Exhibit B. If a Pressure Problem occurs, the Parties shall meet to discuss the reasons for the Pressure Problem and develop and implement a mutually agreeable written corrective action plan within sixty calendar days of the Pressure Problem, or as otherwise agreed. The corrective action plan may require one or both of the following steps:

- A. GLWA may require that Customer take all reasonable steps to reduce its consumption to the rate of flow established by the Maximum Flow Rate. Such steps may include water conservation measures, outdoor water use restrictions, water loss studies and remediation, and an internal system operation evaluation. In addition, GLWA may require that Customer adjust its rate of flow at individual meters, including the establishment of a not-to-exceed flow rate for individual meters.
- B. The Parties may meet to negotiate a new Maximum Flow Rate. If so negotiated, Customer shall pay the charge associated with the new Maximum Flow Rate in the subsequent fiscal year.

If the Parties determine that a corrective action plan is not required and a subsequent Pressure Problem occurs, the Parties shall meet to develop and implement a mutually

agreeable written corrective action plan within sixty calendar days of the subsequent Pressure Problem, or as otherwise agreed. Any corrective action plan required under this Section 5.08 shall include a timetable for resolution of the Pressure Problem. In the event the reason for the Pressure Problem is due to a Customer water main break, fire or meter calibration performed by GLWA, these events will be taken into consideration in determining (1) whether a corrective action plan is warranted and (2) the extent to which, if any, the steps specified above in this Section 5.08 should apply. In developing any corrective action plan, the Parties will take into account that Customer may be served by multiple points of connection and will utilize their collaborative best efforts to work towards developing the best solution to minimize capital and operating costs.

- 5.09 GLWA Costs for Corrective Action Plan. If at any time GLWA is required under the terms of this Article 5 to develop and implement a corrective action plan and the plan involves incurring capital costs, GLWA will determine whether the costs will be charged as a System cost or whether the cost will be borne by a specific customer or customers. If GLWA determines that all or part of the costs should be borne by a specific customer or customers, GLWA will seek a recommendation from the Technical Advisory Committee on the assessment of the costs.
- 5.10 Customer Costs for Corrective Action Plan. If at any time Customer is required under the terms of this Article 5 to develop and implement a corrective action plan, Customer shall be so informed in writing and Customer will pay all costs related to the corrective action plan.

## **Article 6. Technical Advisory Committee**

- 6.01 Establishment. The Technical Advisory Committee exists to facilitate a cooperative working partnership between GLWA and its wholesale water customers by facilitating the development of recommendations regarding System planning and supply to GLWA management and the Board. The Technical Advisory Committee shall maintain bylaws that govern the way it conducts its business. In the event of a conflict between the terms of the bylaws adopted by the Technical Advisory Committee and the terms of this Contract, the terms of this Contract shall control.
- 6.02 General Responsibilities. The Technical Advisory Committee shall periodically review and evaluate the charges, charge methodology, and performance of the System. The Technical Advisory Committee shall review and evaluate flow rates, pressures and annual volumes for the System at a minimum of every five years to assist GLWA in the System planning effort. The Technical Advisory Committee shall have the opportunity each year to review the Capital Improvement Program as prepared by GLWA, prior to its adoption by GLWA. The Technical Advisory Committee may consider Customer proposals for improving the operation of Customer's water system and/or the System. GLWA will supply the Technical Advisory Committee with information GLWA deems reasonably necessary to accomplish the general responsibilities defined in this Section 6.02.

- 6.03 Annual Report by GLWA. GLWA will present an annual report to the Technical Advisory Committee which shall consist of (1) all instances of non-compliance with the Parties' obligations contained in Article 5 herein, including Customer and GLWA responses thereto; (2) a general report on System operation and maintenance; and (3) a report that lists those contracts, if any, that have been entered into by GLWA and another customer(s) where the terms of the contract(s) invoke the application of Article 14 herein.
- 6.04 Notification of Charges. GLWA shall provide Customer and the Technical Advisory Committee with notice of the proposed charges for each fiscal year as early as possible before the implementation of the charges.
- 6.05 Disclosure of Charge Information by GLWA. Each year, GLWA will disclose to Customer and the Technical Advisory Committee information related to wholesale charges.
- 6.06 Disclosure of Retail Rate Information by Customer. Each year, Customer will disclose to its customers information related to its retail rates and other charges, and information regarding what portion of those costs is related to charges from GLWA and/or other major service providers.
- 6.07 Work Groups. The Technical Advisory Committee may create work groups to address specific issues facing the System. The work groups in existence as of January, 2016, are the Analytical Work Group, the Asset Management and CIP Work Group, the Best Practices Work Group, the Charges Work Group, and the Public Education Work Group. Any reference to a particular work group in this Contract shall include its successor or replacement if altered or discontinued.

## **Article 7. Charges**

- 7.01 Charges. Customer agrees to pay for all water supplied by GLWA from the GLWA System at such charges as GLWA may establish. Charges shall be reasonable in relation to the costs incurred by GLWA for the supply of water and shall conform to Public Act 34 of 1917, Michigan Compiled Laws, Sec. 123.141, et seq., as amended. GLWA shall give written notice of any changes in the charges. Notice shall be made in accordance with Section 5c of Public Act 279 of 1909, Michigan Compiled Laws, Sec. 117.5e, as amended, ("Act 279"). GLWA will also supply Customer with water GLWA receives from GCDC pursuant to the Reciprocal Backup Water Service Contract between GLWA and GCDC, attached as Exhibit B to the Master Agreement. Customer acknowledges and agrees that monthly service charges from GCDC will be incurred by GLWA pursuant to the Reciprocal Backup Water Service Contract and such service charges will be assessed to Customer on a direct pass through basis from GLWA at the time they are incurred by GLWA (the "Pass-Through Charges"). Customer shall pay the Pass-Through Charges in accordance with Article 12. Customer further acknowledges and agrees that its obligation to pay the Pass-Through Charges shall survive any termination of this Contract.

- 7.02 Notification of Charges. As soon as possible in the charge-making process, GLWA shall provide information on proposed charges and the draft data and information used in the calculation of proposed charges in a format that will enable Customer to assist in the charge-making process. Not less than thirty calendar days prior to the hearing required by Act 279, GLWA shall provide Customer with written notice of a proposed charge and the underlying data used to calculate the charges. GLWA shall meet with Customer to review the charges and the data.
- 7.03 Estimate of Usage. In the event meters fail to correctly measure the quantity of water supplied to Customer for any period of time, GLWA shall provide a reasonable estimate of the quantity of water supplied to Customer for such period provided that there is a reasonable basis for the estimate. Customer and GLWA shall, either through their respective technical representatives and/or the Technical Advisory Committee, seek agreement upon a method to estimate such quantities. In the event the Parties are unable to agree upon a method to estimate such quantities, GLWA's determination of a method shall be conclusive and Customer agrees to accept the estimate established by GLWA.
- 7.04 Charge Methodology. GLWA agrees to provide to Customer an updated description of the methodology for charge-making in the form of the "Rates 101" document produced by the Technical Advisory Committee, as may be periodically updated. Until the updated document is completed, the current "Rates 101" document, entitled *DWSD Rates: Understanding DWSD Wholesale Water Rates*, shall remain in effect. The charge methodology documents referred to in this paragraph and any updates thereto shall be provided to Customer via posting on the GLWA website.

**Article 8.**  
**Meters and Meter Facilities**

- 8.01 Metering Requirement. All water furnished by GLWA to Customer shall be measured by water meters installed in Meter Facilities at Customer's Water Distribution Points unless, in GLWA's determination, it is not feasible to install water meters due to the configuration of Customer's water system.
- 8.02 Existing Distribution Points. Upon the later of May 1, 2018, or the upgrade of the FL-01 Meter Facility by Customer to the satisfaction of GLWA, GLWA shall own, operate and maintain the water meter and Meter Facility for the Water Distribution Point designated in Exhibit A as FL-01. The Parties further agree that Customer shall have access to the FL-01 Meter Facility for all purposes necessary and incident to the operation of Customer's water system. Customer agrees to provide prior notice to GLWA any time it requires access to the FL-01 Meter Facility; the Parties shall mutually agree upon the time and method of such notice.
- 8.03 Customer Maintenance Responsibilities. Customer shall be responsible for maintaining at its Water Distribution Points any and all appurtenances as may be designated as Customer's responsibility in Exhibit A. Should Customer fail to maintain the appurtenances shown in Exhibit A, GLWA may take reasonable steps to maintain the appurtenances and charge the reasonable cost of doing so to Customer. Prior to GLWA taking action to maintain the appurtenances, GLWA shall give Customer thirty days



written notice to complete the required maintenance. Notice to Customer shall not be required if, in GLWA's determination, there exists an emergency condition affecting the operation of the System or if the health, safety and welfare of the general public may be jeopardized.

8.04 RESERVED.

8.05 Meter Repair and Replacement. If GLWA initiates a meter repair or meter replacement, the cost shall be recovered through GLWA's charges as a System cost. If Customer requests a meter replacement for reasons other than malfunction or disrepair, Customer shall pay the cost of the replacement.

8.06 Pressure Regulating Facilities. After the effective date of this Contract, all newly installed Customer-owned pressure regulating facilities shall be installed in a facility that is separate from GLWA's Meter Facility; the butterfly valves within the FL-01 Meter Facility are not affected by this Section 8.06.

#### **Article 9. Dispute Resolution**

9.01 Any and all claims alleging a breach of this Contract may first be submitted to an alternative dispute resolution process. An alternative dispute resolution process may include, but is not limited to, facilitation, binding arbitration, or non-binding arbitration. Each Party shall be responsible for its own costs and fees (including expert witness fees and attorney fees), unless otherwise agreed to in writing. The Parties shall agree upon the form and procedures for the agreed upon alternative dispute resolution process. This Article 9 shall not prohibit a Party from seeking relief directly from a court of competent jurisdiction at any time.

#### **Article 10. Default Provisions**

10.01 In the event either Party commits a material breach of this Contract, the Party alleging the breach shall give written notice of the breach to the other Party within a reasonable time of discovering the breach. The Party in breach shall be given a reasonable time to cure the breach. If the Party in breach fails to cure the breach, the non-breaching Party may declare this Contract in default and pursue all available legal remedies, including termination of this Contract for cause and/or, if the non-breaching Party is GLWA and Customer has filed a petition under Chapter 9 of 11 U.S.C §101 et seq., GLWA shall be entitled, under and subject to the conditions of 11 U.S.C §366, to petition the court for adequate assurances for payment in the form of a security deposit (separate and distinct from the Security Deposit Account contemplated in Section 12.04) of not less than two times the average monthly amount billed under Section 7.01 in the proceeding twelve months. In the event that the Party in breach is showing reasonable progress toward curing the breach, the Party alleging the breach may extend the time for curing the breach.

#### **Article 11.**

### **Force Majeure, Hold Harmless and Other Events**

- 11.01 **Force Majeure.** No failure or delay in performance of this Contract, by either Party, shall be deemed to be a breach thereof when such failure or delay is caused by a force majeure event including, but not limited to, any Act of God, strikes, lockouts, wars, acts of terrorism, riots, epidemics, explosions, sabotage, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority, or any other cause, whether of the kind herein enumerated or otherwise, not within the control of a Party, except that no cause or contingency shall relieve Customer of its obligation to make payment for water delivered by GLWA.
- 11.02 **GLWA Held Harmless.** As a result of Customer's public health emergency arising from the quality of water provided through Customer's water supply system, the Parties do not know the extent of the claims and/or damages which may result from the emergency, nor if the provision of water services by GLWA will abate, improve or otherwise alleviate the emergency. For this reason, to the extent permitted by law, Customer shall indemnify, defend and hold harmless GLWA and the City of Detroit from and against any and all alleged liabilities, obligations, damages, penalties, claims, costs, charges, losses and expenses (including, without limitation, fees and expenses for attorneys, expert witnesses and other consultants) that may be imposed upon, incurred by or asserted against GLWA and/or the City of Detroit and their respective departments, officers, directors, employees or agents by reason of any of the following alleged to be attributable to the provision of water services under the terms of this Contract:
- A. Any and all alleged injury to persons or damage to property; and
  - B. Any alleged failure by Customer or its agents to perform its obligations, either express or implied, under this Contract; and
  - C. Any alleged act, error or omission of Customer or its agents with regard to (i) Customer's distribution of water supplied by GLWA downstream of any Water Distribution Point, and (ii) any alteration by Customer or its agents to the water supplied by GLWA downstream of any Water Distribution Point, including without limitation any chemical additions to the water as set forth in Section 17.06.
- 11.03 **GLWA Liability for Breakage to Pipes.** Except to the extent that GLWA is the proximate cause, GLWA shall not be held liable or accountable for any bursting, leakage, breakage, damage or accident of any kind that may occur to Customer's water works system, or any damages of any kind or nature, including, but not limited to, injury to persons or damage to property, resulting from or alleged to result from such bursting, leakage, breakage, damage or accident that may occur to water mains or pipes located downstream of the Water Distribution Points specified herein, or located within Customer's distribution system. The terms of this Section 11.03 shall not and shall not be construed to apply to alleged damages or claims of any kind or nature related to, resulting from, or arising out of Customer's public health emergency arising from the quality of water provided through Customer's water supply system, nor shall its terms be used to assign or attempt to assign liability to GLWA for the same.

- 11.04 Discontinuance of Service. In the event the public health, safety and welfare requires GLWA to discontinue temporarily all or part of the supply of water to Customer, no claims for damages of any kind or nature for such discontinuance shall be made by Customer against GLWA. GLWA will provide notice to Customer of any temporary discontinuance of the water supply.

#### **Article 12.**

#### **Timely Payment; Trust Accounts; Security Deposit Account**

- 12.01 Billing and Payment. Bills for water service shall be rendered to Customer on the 20<sup>th</sup> day of each month. All such bills shall be due and payable on the 30<sup>th</sup> day of each month immediately following the month in which the bill is rendered except for the month of February, in which case the due date shall be the last day of the month of February. Any portion of the charges that are not paid by the due date shall be subject to a finance charge at a rate of 1.5% per month for each month that they remain unpaid. Any portion of the total bill, plus any finance charges applied to the bill which are not paid by the next billing date, shall be shown on the next bill as arrears.
- 12.02 Dispute. GLWA may disconnect water service if bills are overdue ninety calendar days from the billing date, in addition to any other remedies provided for in this Contract. GLWA shall not terminate water service if there is a good faith dispute concerning the accuracy of billings. If the accuracy of a bill is in dispute, Customer shall have ten (10) business days from the date of the invoice in which to provide written notice to GLWA, KWA and the Trustee under the Baseline and All Receipts Trust Agreement (as defined below), of its dispute with the bill and shall place the disputed amount in an escrow account pending resolution of the dispute. Accrued interest on the escrow account shall belong to the Party that prevails in the resolution of the dispute.
- 12.03 Trust Accounts. The Parties acknowledge and agree that two trusts, the "Baseline Trust" and the "All-Receipts Trust", will be established and managed in accordance with the terms and conditions of Exhibit C of the Master Agreement. Should there be any conflict between the terms of this Contract and the terms of Exhibit C of the Master Agreement, the terms of Exhibit C of the Master Agreement shall control.
- 12.04 Security Deposit Account. Customer will fund a security deposit account, established and held by GLWA ("Security Deposit Account"), as security for payments due GLWA under this Contract in accordance with the following terms and conditions:
- A. Prior to or concurrent with the execution of this Contract, Customer will provide to GLWA an amount equal to \$3,750,000.00 which GLWA will hold in an interest bearing account. All interest earned on funds in the Security Deposit Account shall accrue and shall be deposited therein and applied as provided in this Section 12.04. All fees related to the Security Deposit Account including, without limitation, the establishment and maintenance thereof, shall be paid by Customer.

- B. Subject to Section 12.04 (D), GLWA will maintain the Security Deposit Account for a period of no less than 2 years and no greater than 6 years provided that if Customer satisfies the metrics set forth in Section 12.04 (C) (i), (ii) and (iii) at any time after the 2 year period but before the conclusion of the 6th year, then the funds held by GLWA in the Security Deposit Account will be returned to Customer in accordance with this Section 12.04. However, in the event a Flint Challenger and/or a Third Party Challenger, as defined in 12.04 (F), challenges the validity of the Contract or the authority of Customer to enter into the Contract, or the authority of Customer's representative to execute the Contract, the Security Deposit Account will not be returned to Customer until the statute of limitations bars challenges by a Flint Challenger and/or a Third Party Challenger. If at the conclusion of the 6th year Customer has satisfied the metrics in Section 12.04 (C) (i) and (ii), then the funds held by GLWA in the Security Deposit Account will be returned to Customer in accordance with this Section 12.04. Unless modified by Section 12.04 (D), the time period stated herein shall begin to run coincident with the Effective Date.
- C. The funds held by GLWA in the Security Deposit Account will be returned to Customer in full, plus applicable accrued interest if any in accordance with Section 12.04 (A), if at any time after the initial 2 year period Customer can demonstrate to the reasonable satisfaction of GLWA:
- i. It has made all payments due under this Contract in full and on time and;
  - ii. It has met all obligations payable from its water and sewer funds, including without limitation Customer's obligations to its bond holders, suppliers, vendors and employees, and it has performed all such obligations in a timely manner; and
  - iii. It has established a collection rate for its water and sewer billings of at least 90% for the preceding 12 month period.
- D. If at any time Customer fails to make full and timely payment and GLWA is required to utilize the proceeds of the Security Deposit Account to cure an event of non- or partial payment as described in Section 12.04 (F), then the period outlined in Section 12.04 (B) shall restart at year zero.
- E. Customer acknowledges and agrees that GLWA may grant KWA certain rights in and to the Security Deposit Account in connection with Customer's obligations to KWA for debt service payable from the Trust Accounts defined below, as described under Section 12.05 (ii) below.
- F. Customer acknowledges and agrees that should (a) (1) the Customer files an action with the City named as plaintiff (2) an action pursuant to a binding resolution of the City Council (3) by a simple majority of the City Council, which is 5 members, (4) the Mayor, (5) City Administrator, (6) City Clerk, or in the event that an action is filed by an (7) City executive staff member or principal

official, which includes members responsible for budget, personnel, planning, legal counsel and administrative services, (8) executive department heads, which are defined as public safety, public works, utilities, parks and recreations, transportation including aviation, finance, community development and environmental protection; or (9) City board, commission or agency, (each, a “Flint Challenger”) and/or (b) (1) no more than 4 City Council member(s) or unauthorized (2) instrumentality of the City (3) officer (4) employee, and/or (5) any other individual purportedly acting on behalf of the City (each a “Potential Flint Challenger”) and/or (c) a third party, including a former officer or a former employee ( each, a “Third Party Challenger”) challenges the validity of the Contract or the authority of Customer to enter into the Contract, or the authority of Customer’s representative to execute the Contract, then GLWA may utilize any funds in this Security Deposit Account necessary to reimburse GLWA for any funds expended in defending that challenge, without further approval of the Customer.

- G. Customer acknowledges and agrees that GLWA may grant KWA and GCDC certain reimbursement rights in and to the Security Deposit Account in connection with their defense of claims that challenges the validity of the Contract or the authority of Customer to enter into the Contract, or the authority of Customer’s representative to execute the Contract regardless of whether it is a Flint Challenger and/or a Third Party Challenger.
- H. Customer further acknowledges and agrees that in the event that reimbursement of funds expended in defending a challenge to this Contract becomes necessary, consistent with subsections F and G above, GLWA shall be entitled to simultaneously assess multiple charges to restore the shortfall in the Security Deposit Account. Customer shall pay such charges on or before the due date.
- I. Should GLWA be required to utilize any amount of the funds in the Security Deposit Account, including accrued interest, to cure an event of non- or partial payment by Customer to GLWA, or to KWA for debt service payable from the Trust Accounts defined below, as described under Section 12.05 (ii) below, or for reimbursement under subsections F-H above, GLWA may, for each such shortfall or reimbursement, restore this amount by adding to Customer’s monthly charges for the subsequent 12 month period an amount equal to 1/12th of the dollars used to cure the event. Customer acknowledges and agrees that in the event of more than one shortfall, GLWA shall be entitled to simultaneously assess multiple charges to restore the shortfall in the Security Deposit Account. In the event that accrued interest is used by GLWA to restore any shortfall or reimbursement, upon the return of the funds in the Security Deposit Account Customer shall only be entitled to that interest remaining, if any, beyond that which was used to restore any shortfall.

- 12.05 Credits to Wholesale Billing Account Resulting from Trust Account Payments. Customer is obligated to make, or cause to be made, payments to GLWA, KWA and GCDC under the terms of trust accounts established pursuant to the terms of Exhibit C (“Trust Agreement”) of the Master Agreement (“Trust Accounts”). If Customer timely and fully pays, directly or via the Trust Accounts, its monthly amounts (i) due to GLWA for water supplied under this Contract, which includes the Pass-Through Charges from GCDC that are assessed on a direct pass through basis from GLWA to Customer pursuant to Section 7.01; however for purposes of this Section, amounts due will be considered timely and fully paid if Customer has deposited funds as provided in Section 12.02 equal to the Pass-Through Charges from GCDC and the balance of the monthly amounts due to GLWA on such bill that is not in dispute, and (ii) due to KWA for KWA Designated Debt Service (as such term is defined in the Trust Agreement), then GLWA shall in the current or subsequent month issue a credit to Customer’s wholesale billing account equal to the lesser of (y) the KWA Designated Debt Service paid by or on behalf of Customer through the Trust Agreement or (z) in the event of any bond issue not consented to by GLWA under Section 26.01, when such consent is required, the debt service payment currently scheduled as set forth in the Trust Agreements, all under (ii) above.
- 12.06 Suspension of Credits because of a Flint Challenger. In the event that a Flint Challenger challenges the validity of the Contract or the authority of Customer to enter into the Contract, or the authority of Customer’s representative to execute the Contract, then GLWA may suspend the issuance of credits to Customer pursuant to Section 12.05 above. If a Flint Challenger challenges the validity of the Contract or the authority of Customer to enter into the Contract, or the authority of Customer’s representative to execute the Contract, then among the factors that GLWA may consider before exercising its sole discretion under this Section to suspend the further issuance of credits to the Customer are the following:
- A. Whether the Customer files a motion to intervene as a party-defendant in support of GLWA in the cause of action filed by the Flint Challenger.
  - B. Whether the Customer files a motion to challenge the standing of the Flint Challenger’s cause of action.
  - C. Whether the Customer formally refuses any request by the Flint Challenger for legal representation in the Flint Challenger’s cause of action.
  - D. Whether the Customer’s Council adopts a resolution, which is approved by the Mayor, providing that the Customer shall not remit or reimburse any legal expenses incurred by the Flint Challenger, including the Flint Challenger’s attorney fees, court costs or other costs incurred by the Flint Challenger.

If there is a dispute as to whether the *Potential* Flint Challenger is actually a Flint Challenger, either the Customer or GLWA can motion the trial court within 21 days of service of the Complaint for a judicial determination of the issue. The credits will be paid to Customer from the date the motion is filed until the trial court issues a ruling on whether the *Potential* Flint Challenger is a Flint Challenger. The trial court’s ruling on whether the *Potential* Flint Challenger is a Flint Challenger is final and cannot be appealed. If (a) the trial court determines that the *Potential* Flint Challenger is a Third

Party Challenger and not a Flint Challenger and (b) Customer complies with Section 12.07, then the credits will be paid to Customer.

If for any reason this Contract is declared void or nullified for any reason during its Term, then the Customer shall pay to GLWA the total amount of the credits issued to the Customer. In the event the Customer wishes to repay such credits over a period of years, it may do so in one of two ways. It may repay such credits over a period of not more than five years (or such longer period as may be agreed upon by the Customer and GLWA) by (a) executing a new water service contract for the standard term or (b) by serving as a non-contract customer with GLWA for the designated period of years, for water at then-prevailing rates for non-contract customers. In all circumstances, service shall not be terminated by Customer prior to full repayment of such credits.

12.07 Suspension of Credits because of a Third Party Challenger. In the event that (a) a Third Party Challenger challenges the validity of the Contract or the authority of Customer to enter into the Contract, or the authority of Customer's representative to execute the Contract and (b) the Customer does not intervene in the litigation to support GLWA, KWA, GCDC defense from the Third Party Challenger, then GLWA may suspend the issuance of credits to Customer pursuant to Section 12.05 above. If for any reason this Contract is declared void or nullified for any reason during its Term, then the Customer shall pay to GLWA the total amount of the credits issued to the Customer. In the event the Customer wishes to repay such credits over a period of years, it may do so in one of two ways. It may repay such credits over a period of not more than five years (or such longer period as may be agreed upon by the Customer and GLWA) by (a) executing a new water service contract for the standard term or (b) by serving as a non-contract customer with GLWA for the designated period of years, for water at then-prevailing rates for non-contract customers. In all circumstances, service shall not be terminated by Customer prior to full repayment of such credits.

12.08 Account Stated. If Customer fails to make timely payment on invoices due as set forth in this Contract, the GLWA shall be entitled to utilize the All Receipts Trust under the conditions set forth in Exhibit C of the Master Agreement. In addition, GLWA shall be entitled to claim a judgment against Customer for the entire unpaid balance, including any Early Termination Costs, together with late fees, interest, and the costs and reasonable attorney fees required to obtain that judgment. GLWA shall be entitled to file this Contract in a court of proper jurisdiction as evidence of Customer's agreement to pay amounts due and owing in accordance with this Contract.

### **Article 13. Assignment**

13.01 This Contract shall not be assigned, in whole or in part, by either Party without the prior written consent of the other Party provided, however, that GLWA may assign this Contract to the City of Detroit without prior notice to Customer at the conclusion of the Lease term. Consent to an assignment by either Party shall not be unreasonably withheld.

### **Article 14. Ensuring Equality of Contract Terms**

- 14.01 If GLWA enters into any contract, and any amendments thereto, with a water service customer other than Customer, and the material terms of such other contract are more favorable than the material terms of Customer's Contract, Customer may elect to adopt all of such other material terms. However, if Customer exercises the option provided for in this Article 14, Customer must accept all material terms of the other contract in their entirety and may not select among various terms contained in multiple other contracts by, for example, selecting the Contract Term from one contract and the Early Termination Costs provision of another contract. The terms and conditions of Exhibit B of this Contract are specifically excluded from the application of this Article 14.

**Article 15.  
Amendment**

- 15.01 The Parties may periodically consider it in their best interests to change, modify or extend a term, condition or covenant of this Contract for reasons which may include, but are not limited to, the creation, expansion or closing of industry or other business. Any change, addition, deletion, extension or modification that is mutually agreed upon by GLWA and Customer shall be incorporated in a written amendment to this Contract. Such amendments shall not invalidate this Contract nor relieve or release either Party of any of its respective obligations under this Contract unless so stated in the amendment.
- 15.02 No amendment to this Contract shall be effective and binding upon the Parties unless it expressly makes reference to this Contract, is in writing, is signed and acknowledged by duly authorized representatives of both Parties, and is approved by Customer's governing body and the Board.

**Article 16.  
Notices**

- 16.01 Except as otherwise specified herein, all notices, consents, approvals, requests and other communications (collectively, "Notices") required or permitted under this Contract, including without limitation those for billing, payment and other routine correspondence regarding day-to-day operational matters, shall be given in writing and mailed by first class mail to the Parties and at the addresses identified in Exhibit B.
- 16.02 All Notices shall be deemed given on the day of post-marked mailing. Any Notice given by a Party hereunder must be signed by an authorized representative of such Party.
- 16.03 Notwithstanding the requirement above as to the use of first-class mail, Notices regarding change of address and any Notices required by Sections 2.02, 4.03, 4.09, 7.01, 7.02, 8.03, 10.01, 12.02, 25.03 and 26.01 shall be sent by certified first-class mail, postage prepaid.

**Article 17.  
Water Quality**

- 17.01 Contamination. For the protection of the health of all consumers supplied with water from the System, Customer agrees to guard carefully against all forms of contamination.



Should contamination occur, the area or areas affected shall immediately be shut off and isolated, and shall remain so until such conditions shall have been abated, and the water declared safe and fit for human consumption by the properly constituted governmental health agencies having jurisdiction of the area affected. Customer shall immediately notify GLWA, and GLWA shall immediately notify Customer, of any emergency or condition that may affect the quality of water in either Party's system.

- 17.02 Blending. Maintaining a daily flow through the Dort Highway Main is necessary to meet water quality regulatory standards in the event emergency backup services are required. Unless otherwise agreed by the Parties and approved by any necessary state and/or federal regulatory body, GLWA may supply to Customer from the Dort Highway Main approximately 5% of Customer's daily flow of potable water produced by GCDC (estimated at 0.5 MGD) in compliance with the requirements of any law, regulation, permit or order of any state and/or federal agency. Customer shall be responsible for installing, operating, maintaining, controlling and monitoring the necessary infrastructure and appurtenances, including but not limited to flow control devices, to ensure compliance with this limit. The remainder of Customer's daily flow of potable water produced by GLWA will be received through the 72 Inch Main. Customer will blend the water received through the Dort Highway Main with that water received through the 72 Inch Main at Customer's water treatment plant prior to its distribution and any required additional treatment as may be required of Customer by state and/or federal law, regulation, permit or order. The provisions on blending in this Section 17.02 are not considered a co-mingling of water sources and do not invoke the provisions of Section 17.03, below.
- 17.03 Co-mingling of Water Sources. Except in cases of emergency, Customer will not permit water from any other source of supply to be mixed or mingled with water from the System without prior written approval from GLWA. In cases of emergency, only such water from sources other than GLWA shall be used as shall meet the requirements of the MDEQ, and then only in such quantities as shall be necessary to relieve the emergency.
- 17.04 Emergency Connections. During emergencies and notwithstanding the terms of Section 17.02, GLWA may provide and Customer may receive up to 100% of its daily flow of potable water through the Dort Highway Main provided, however, that the emergency backup flow will be in such quantities as GCDC can reasonably deliver to GLWA and Customer has no guarantee from either GCDC or GLWA as to how much flow will be provided. Additionally, during emergencies, Customer's water facilities may be used and connected, at the discretion of GLWA, to water facilities serving other communities for flow in either direction to provide an adequate water supply from the System to Customer and to other areas and other units of government. Customer shall be permitted to immediately make an emergency connection when the connection point to be used has been previously approved for emergency use by GLWA in writing, provided that Customer shall, after making the connection, promptly notify GLWA of such event. When the emergency has been abated, the emergency connection must be severed as soon as practicable. GLWA, or its designee, must approve, in writing, the continuation of any emergency connection that is required for longer than seven calendar days. If an approved emergency connection continues for more than seven calendar days, Customer

must provide GLWA with weekly updates on the emergency and a schedule for abatement of the emergency that must be approved by GLWA in writing.

- 17.05 Water Quality. GLWA shall endeavor to remain in compliance with all applicable Michigan and Federal laws, rules and regulations regarding drinking water quality.
- 17.06 Chemical Additions. Customer has advised GLWA that in order to more effectively address its public health emergency, it may inject additional chemical treatments into the water it receives from GLWA. Customer acknowledges that such additional chemical treatments may result in taste, color and/or odor changes to the water provided by GLWA. In order that the public be kept fully informed as to the explanation for any taste, color and/or odor changes and to ensure that GLWA's long established, award winning brand is not diminished in any way, Customer agrees to coordinate with and seek the approval of GLWA regarding its public relations communications on these issues. Furthermore, Customer acknowledges that such additional chemical treatments may change the water chemistry of the water provided by GLWA, and if not made properly by Customer, could have adverse effects on distribution system corrosion control, disinfection by-products formation and water quality in general.

**Article 18.**  
**Rights-of-Way**

- 18.01 Use of Rights-of-Way. Customer shall assist GLWA to obtain permission to use streets, highways, alleys, and/or easements in the local governmental units within Customer's jurisdiction for the purpose of constructing, maintaining, and operating water facilities to adequately service Customer's jurisdiction and other areas. This assistance shall include obtaining the consent of the local governmental units, as provided in Article 7, Section 29, Michigan Constitution of 1963. In the event of such construction, GLWA shall request Customer and local governmental units within Customer's jurisdiction to execute such separate instruments granting rights-of-way in its streets, highways, and alleys as may be reasonably required by GLWA. GLWA shall give Customer notice of any construction work in Customer's jurisdiction. GLWA shall comply with any of Customer's ordinances that apply to the construction. Customer shall inform GLWA of the applicable ordinances. GLWA and Customer shall meet to review the construction and its impact on their respective operations. GLWA shall restore all existing structures and/or improvements laying in the right-of-way of construction to as good a condition as before the construction took place. As contemplated by this paragraph, any such water facilities existing on or before December 31, 2015, shall remain under the ownership of the City of Detroit as leased to GLWA, and any new water facilities constructed on or after January 1, 2016, shall be owned by GLWA, and in no case shall either the existing or new water facilities be operated or maintained by any entity other than GLWA or its authorized representatives.
- 18.02 Relocation of Facilities. Should future construction by any city, township, village, or county require relocation of a water transmission main, Meter Facility or other GLWA facility, the cost incurred by GLWA for such relocation, if not reimbursed by the entity requiring the relocation, will be charged in future charges as a common-to-all cost to all System users.

- 18.03 Easements. Subject to the provisions of Section 18.01 and to the extent that Customer has jurisdiction, GLWA shall be granted temporary and permanent easements, and shall be permitted to use the streets, alleys and highways within Customer's legal jurisdiction for the purpose of constructing, operating and maintaining the System, including the relocation of water transmission mains, Meter Facilities or other GLWA facilities. This consent by Customer is given in compliance with Article 7, Sec. 29 of the Michigan Constitution of 1963, provided that GLWA shall provide Customer with a written explanation of the type of easement required and the duration thereof.

**Article 19.**  
**Access to Towers and Antennas**

- 19.01 Where possible, each Party shall give to the other Party access to towers and antennas under its respective jurisdiction for the purpose of transmitting information recorded in the Meter Facilities. Access shall not be unreasonably denied by either Party.

**Article 20.**  
**Relationship to Wastewater Services**

- 20.01 Customer and GLWA acknowledge that future growth in the System may place additional burdens on their respective wastewater systems. Customer, if it is also a wastewater disposal services customer of GLWA, understands that any increase in the volume of water it receives from the System is not a guarantee of increased capacity in the wastewater disposal system owned by the City of Detroit and leased by GLWA.

**Article 21.**  
**Construction Standards**

- 21.01 GLWA shall have the right to review and approve Customer's construction plans for Meter Facilities at new Water Distribution Points, water mains sized twenty-four inches and larger, pump stations, reservoirs, water towers, and any other construction that will cross, or be within close proximity to, or have influence upon System infrastructure. GLWA's approval of construction plans shall be timely and shall not be unreasonably withheld.

**Article 22.**  
**Operation of Storage**

- 22.01 Prior to Customer's operation of any new or existing water storage facility, Customer shall seek GLWA's written approval of the filling schedule ("Filling Schedule") of the storage facility. GLWA may periodically require Customer to change or adjust a previously approved Filling Schedule. The Parties shall collaborate on devising a mutually beneficial Filling Schedule. If the Parties are unable to agree upon a Filling Schedule, GLWA's determination of a Filling Schedule shall be final. All Filling Schedules shall be for a period of six consecutive hours. Customer shall at all times abide by the then-current GLWA approved Filling Schedule. GLWA shall act promptly in approving Filling Schedule requests. Nothing in this Article 22 shall prevent Customer from operating its storage facility at any time, provided that any storage operation that falls outside of the approved Filling Schedule shall not be exempt from the terms of Article 5 herein.

**Article 23.**  
**Miscellaneous**

- 23.01 If any provision of this Contract or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Contract shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law.
- 23.02 This Contract, including Exhibits A, B and C, contains the entire agreement between the Parties and all prior negotiations and agreements are merged into this Contract. Neither Party has made any representations except those expressly set forth in this Contract, and no rights or remedies are, or shall be, acquired by either Party by implication or otherwise unless expressly set forth in this Contract.
- 23.03 Unless the context otherwise expressly requires, the words "herein," "hereof," and "hereunder," and other words of similar import, refer to this Contract as a whole and not to any particular section or subdivision.
- 23.04 The headings of the sections of this Contract are for convenience only and shall not be used to construe or interpret the scope or intent of this Contract or in any way affect the same.

- 23.05 The rights and remedies set forth in this Contract are not exclusive and are in addition to any of the rights or remedies provided by law or equity. This Contract and all actions arising under it shall be governed by, subject to, and construed according to the laws of the State of Michigan.
- 23.06 Pursuant to the terms of its Lease with GLWA, the City of Detroit is an acknowledged third party beneficiary of this Contract and this Contract shall not be construed to benefit any persons other than GLWA, the City of Detroit and Customer.
- 23.07 This Contract may be executed in any number of originals, any one of which shall be deemed an accurate representation of this Contract. Promptly after the execution of this Contract, GLWA shall provide a copy to the Customer.
- 23.08 The rights and benefits under this Contract shall inure to the benefit of and be binding upon the respective Parties hereto, their agents, successors, and assigns.
- 23.09 The Recital paragraphs of this Contract and any and all documents, memoranda, reports, exhibits or other written material referred to in this Contract are and shall be fully incorporated by reference herein.
- 23.10 This Contract shall be deemed to be mutually drafted and shall not be construed against either Party.

#### **Article 24.**

##### **KWA Board Appointments; Bylaws and Articles of Incorporation**

- 24.01 Customer will consult with GLWA and GLWA will recommend and approve of each of Customer's appointments to the KWA Board which selection cannot at any time be modified by Customer without the prior written approval of GLWA. Subsequent to GLWA's approval, Customer will execute a letter to KWA confirming the appointment of each new Board representative.
- 24.02 Customer will consult with GLWA in connection with any proposed amendments to the Articles of Incorporation or Bylaws of KWA, and shall not consent to any such changes without receipt of prior written consent of GLWA.

#### **Article 25.**

##### **KWA Raw Water**

- 25.01 Raw Water and License. Subject to the KWA Financing Contract, dated August 1, 2013 ("Financing Contract"), and the Raw Water Supply Contract, dated June 28, 2013 ("Raw Water Contract"), Customer has rights to up to 18 MGD raw water capacity, delivery of that raw water and its use. Customer makes an irrevocable grant of an exclusive license of these rights related to the 17.46 MGD of the raw water capacity as provided in this Section 25.01 to the extent of Customer's rights therein, whether now existing or hereafter arising, to use in any way GLWA determines in its sole discretion and otherwise in compliance with the Raw Water Contract. Customer may not terminate this license and Customer's exclusive remedies for breach are damages and equitable relief.

This license shall survive the termination of this Contract and any default by Customer under the Raw Water Contract. GLWA shall be entitled to receive delivery of 17.46 MGD and Customer shall retain 0.54 MGD for the term of this Contract and thereafter as provided for herein.

- 25.02 Failure to Pay. If Customer fails to pay all of its debt service obligations then due to KWA and as a result the County of Genesee acquires Customer's rights pursuant to Exhibit B of the Financing Contract, then GLWA shall be relieved of its obligation to provide emergency backup service to Customer, including without limitation that flow from the Dort Highway Main, but in no event will GLWA charges to Customer be reduced, modified or adjusted as a result.
- 25.03 GLWA Right to Purchase Capacity. After Customer fulfills all of its debt service payment obligations to KWA pursuant to the Financing Contract, (a) all of Customer's remaining interest in 17.46 MGD shall transfer to GLWA upon GLWA delivering written notice to KWA of such transfer and (b) GLWA shall have, within 6 months after the date of Customer's fulfillment of its debt service obligation, the exclusive right to purchase the remaining 0.54 MGD for \$3,000,000.
- 25.04 Flint Right to Purchase Capacity. If after the expiration of this Contract, GLWA, in its sole discretion, determines that it no longer wishes to use the rights so licensed, or any portion thereof, then Customer shall have a right of first refusal to purchase said rights prior to GLWA's sale of such rights at a price equal to the then-current aggregate amount of credits granted to Customer for debt service under Section 12.05.

**Article 26.**  
**KWA Bonds**

26.01 New and Refunding Bonds.

- A. The Parties acknowledge and agree that, subsequent to the Effective Date, KWA will issue KWA Refunding Bonds for the purpose of refunding the outstanding Series 2016 Bonds and may also issue, from time to time, additional series of KWA Refunding Bonds. In the event that Customer shall consent to the issuance of any KWA Refunding Bonds, other than for the purpose of refunding the outstanding Series 2016 Bonds in accordance with the parameters set forth in Exhibit C, that would have the effect of (i) extending the term of the bonds to be refunded, or (ii) increasing any annual debt service obligation of Customer with respect to the bonds to be refunded, such event shall not constitute a breach or default by Customer under this Contract; provided, however, that in such event (y) the monthly credits to Customer's wholesale billing account shall be calculated in accordance with Section 12.05 and (z) if the maturity date of such KWA Refunding Bonds is extended beyond the term of this Contract, the term of this Contract under Article 2 is automatically and without further action extended to the new maturity date. Furthermore, Customer shall provide prior written notice to GLWA of any proposed consent by Customer to any KWA Refunding Bonds.

- B. Customer acknowledges and agrees that, in the event that Customer becomes contractually obligated for the payment of debt service on any New KWA Bonds, it shall not be entitled to any additional credits to its wholesale billing account for its debt service payment obligations under Section 12.05 with respect to such New KWA Bonds, unless consented to in writing by GLWA.
  - C. The Parties agree that neither (a) the Financing Contract, nor any amendment thereto, related to the KWA System Bonds and/or KWA Refunding Bonds nor (b) the Raw Water Contract shall be amended by Customer without GLWA's consent in a way that changes the 18 MGD of capacity or adversely impacting GLWA's rights or obligations under this Contract.
- 26.02 Insurance. While any KWA System Bonds remain outstanding, Customer shall maintain or cause to be maintained insurance (which may include self-insurance) on its facilities with commercially reasonable and available coverage.
- 26.03 Record Keeping. Customer will keep proper books of record and account in which shall be made full and correct entries of all transactions relating to the KWA System Bonds and any and all amounts payable through the Trust Accounts.

*(Signatures appear on next page)*

Accordingly, GLWA and Customer, by and through their duly authorized officers and representatives, have executed this Contract.

**City of Flint:**

By: \_\_\_\_\_  
Karen Weaver  
Mayor

Attest: \_\_\_\_\_  
Inez Brown  
City Clerk

APPROVED BY  
FLINT CITY COUNCIL ON: \_\_\_\_\_  
Date

APPROVED AS TO FORM BY  
FLINT CITY ATTORNEY ON:

\_\_\_\_\_  
Signature Date

**Great Lakes Water Authority:**

By: \_\_\_\_\_  
Sue F. McCormick  
Its: Chief Executive Officer

APPROVED BY  
GLWA BOARD OF DIRECTORS ON: \_\_\_\_\_  
Date

APPROVED AS TO FORM BY  
GLWA GENERAL COUNSEL ON:

\_\_\_\_\_  
Signature Date



## EXHIBIT A

### Service Area Map; Essential Water Mains

This Exhibit contains the following information:

1. The corporate limits of Customer;
2. The agreed upon water Service Area of Customer which (a) may or may not be entirely within the corporate limits of Customer and (b) which may or may not include the entire area within the Customer's corporate limits;
3. The specific location of the Water Distribution Points, including any GLWA approved emergency connections;
4. The designation of appurtenances to be maintained by Customer and those to be maintained by GLWA; and
5. A list of any closed meter locations. The Parties acknowledge and agree that as of the Effective Date there are no closed meter locations.
6. A list of what facilities, if any, have been constructed specifically for the benefit of Customer. The Parties acknowledge and agree that as of the Effective Date there are no such facilities.
7. A list of any retail or commercial accounts of Customer that are outside of Customer's corporate limits.

## EXHIBIT B

Projected Annual Volume and Minimum Annual Volume (Table 1)  
Pressure Range and Maximum Flow Rate (Table 2)  
Flow Split Assumptions (Table 3)  
Addresses for Notice (Table 4)

Table 1 and Table 2 set forth the agreed upon Projected Annual Volumes, Minimum Annual Volumes, Pressure Ranges and Maximum Flow Rates for the term of this Contract provided that figures in bold type face are immediately enforceable pursuant to the terms of Section 5.07 and italicized figures are contained for planning purposes only but will become effective absent the negotiated replacements anticipated in Section 5.07.

The approximate rate of flow by individual meter set forth in Table 3 is the assumption upon which the Pressure Range commitments established in Table 2 have been devised. Should Customer deviate from these assumptions at any meter(s), GLWA may be unable to meet the stated Pressure Range commitments in this Contract or in the contract of another customer of GLWA and Section 5.08 of this Contract may be invoked.

EXHIBIT B

Table 1  
 Projected Annual Volume and Minimum Annual Volume

Fiscal Year Ending June 30	Projected Annual Volume (Mcf)	Minimum Annual Volume (Mcf)
2018	<b>590,600</b>	<b>295,300</b>
2019	<b>590,600</b>	<b>295,300</b>
2020	590,600	295,300
2021	590,600	295,300
2022	590,600	295,300
2023	590,600	295,300
2024	590,600	295,300
2025	590,600	295,300
2026	590,600	295,300
2027	590,600	295,300
2028	590,600	295,300
2029	590,600	295,300
2030	590,600	295,300
2031	590,600	295,300
2032	590,600	295,300
2033	590,600	295,300
2034	590,600	295,300
2035	590,600	295,300
2036	590,600	295,300
2037	590,600	295,300
2038	590,600	295,300
2039	590,600	295,300
2040	590,600	295,300
2041	590,600	295,300
2042	590,600	295,300
2043	590,600	295,300
2044	590,600	295,300
2045	590,600	295,300
2046	590,600	295,300
2047	590,600	295,300

EXHIBIT B

Table 2  
Pressure Range and Maximum Flow Rate

Calendar Year	Pressure Range (psi)		Maximum Flow Rate (mgd)	
	Meter FL-01		<u>Max Day</u>	<u>Peak Hour</u>
	<u>Min</u>	<u>Max</u>		
2017	<b>40</b>	<b>60</b>	<b>15.0</b>	<b>15.0</b>
2018	<b>40</b>	<b>60</b>	<b>15.0</b>	<b>15.0</b>
2019	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2020	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2021	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2022	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2023	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2024	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2025	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2026	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2027	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2028	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2029	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2030	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2031	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2032	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2033	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2034	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2035	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2036	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2037	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2038	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2039	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2040	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2041	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2042	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2043	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2044	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2045	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>
2046	<i>40</i>	<i>60</i>	<i>15.0</i>	<i>15.0</i>

EXHIBIT B

Table 3  
Flow Split Assumptions

Meter	Assumed Flow Split (2017-2018)
FL-01	0 - 100%

Table 4  
Addresses for Notice

<b>If to the GLWA:</b>	<b>If to Customer:</b>
Great Lakes Water Authority 735 Randolph Street, Suite 1901 Detroit, Michigan 48226  Attention: General Counsel	Mayor City of Flint 1101 S. Saginaw Street Flint, Michigan, 48502 Attention: City Attorney

## EXHIBIT C

### Parameters for Refunding of Series 2016 Bonds

1. Principal amount not to exceed \$79,000,000, the proceeds of which will be used for the purposes of (i) refunding the outstanding Series 2016 Bonds, (ii) to make an additional deposit to the KWA construction fund of not to exceed \$4,000,000 to pay or reimburse the costs of completing the construction of the KWA system, (iii) making a deposit to the debt service reserve account and (iv) paying costs of issuance.
2. Final maturity date not later than November 1, 2045.
3. Interest rate not to exceed the lesser of 8% per annum or such interest rate or rates that would ensure that no annual debt service obligation of Customer, on all outstanding KWA debt, exceed \$7,100,000 in any year; provided, however, that Customer may request of GLWA that Customer exceed that amount; and provided further that if GLWA does not agree and Customer nevertheless wishes to proceed, the monthly credits to Customer's wholesale billing account shall be subject to adjustment in accordance with Section 12.05 of this Contract.
4. Principal of the KWA Refunding Bonds shall not be subject to acceleration prior to maturity.
5. The KWA Refunding Bonds shall be structured on a level debt service basis, within a margin of \$250,000 per year; provided, however, that Customer may request of GLWA that Customer utilize a non-level debt service structure; and provided further that if GLWA does not agree and Customer nevertheless wishes to proceed, the monthly credits to Customer's wholesale billing account shall be subject to adjustment in accordance with Section 12.05 of this Contract.

# **EXHIBIT A-2**

**IRREVOCABLE LICENSE OF  
ESSENTIAL WATER MAINS AND RAW WATER RIGHTS**

**BY**

**CITY OF FLINT**

**TO**

**GREAT LAKES WATER AUTHORITY**

Drafted by and When Recorded Return to:

Ann D. Fillingham  
Dykema  
201 Townsend, Suite 900  
Lansing, Michigan 48933  
(517) 374-9146



**IRREVOCABLE LICENSE OF  
ESSENTIAL WATER MAINS AND RAW WATER RIGHTS**

**BY**

**CITY OF FLINT**

**TO**

**GREAT LAKES WATER AUTHORITY**

This Irrevocable License of Essential Water Mains and Raw Water Rights (the "*License*") is made as of November 1, 2017 (the "*Dated Date*") by the City of Flint, a Michigan municipal corporation (the "*City*") to the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended ("*GLWA*").

**RECITALS:**

**WHEREAS**, the City and the Karegnondi Water Authority ("*KWA*") entered into a Raw Water Supply Contract, dated June 28, 2013 and effective October 1, 2013, between City and KWA, as amended through date hereof, including by that certain Second Addendum dated the date hereof ("*Raw Water Supply Contract*").

**WHEREAS**, under of the Raw Water Supply Contract, the City is granted certain rights to raw water capacity by KWA, subject to its obligations for payment thereunder;

**WHEREAS**, the City's rights are fixed at 18 Million Gallons Per Day, U.S. Standard Liquid Measure ("*MGD*") as of the Effective Date;

**WHEREAS**, as of the Effective Date defined below, the City owns or controls the 72 Inch Main and, upon construction, the Dort Highway Main, together with a portion of the 72 Inch Main known as the Licensed Main, all as described in greater detail in Exhibit A, attached hereto and incorporated herein by reference, (collectively, the "*Essential Water Mains*");

**WHEREAS**, as of the Dated Date, the City, KWA, GLWA, the Michigan Department of Environmental Quality and the Genesee County Drain Commissioner (collectively, the "*Parties*") are entering into a Master Agreement governing a number of inter-related transactions among the Parties described therein (the "*Master Agreement*") all effective as of the effective date defined therein (the "*Effective Date*") including execution of a Water Service Contract between the City and GLWA (as the same may be amended or supplemented, the "*Flint Contract*"); and

**WHEREAS**, pursuant to the transactions contemplated by the Master Agreement, the Essential Water Mains are to be licensed to GLWA and 17.46 MGD of the 18 MGD of the City's rights under the Raw Water Supply Contract are to be licensed to GLWA (City shall retain 0.54 MGD);

**ACCORDINGLY**, for good and valuable consideration in accordance with the Master Agreement, the receipt and sufficiency of which are hereby acknowledged, the City hereby irrevocably represents, warrants and grants to GLWA as follows:

## **ARTICLE I**

### **REPRESENTATIONS AND WARRANTIES**

**Section 1.01 Rights and Due Authorization**. The City freely owns or controls, and will own or control upon completion of construction in the case of the Dort Highway Main, the Essential Water Mains, and has full power and authority to license their use and the rights, hereunder. The City has duly authorized and validly executed and delivered this License.

**Section 1.02 The Raw Water Supply Contract**. The Raw Water Supply Contract is valid and enforceable according to its terms and does not conflict with or violate any agreement or covenants to which the City is a party; and the City will comply with the Raw Water Supply Contract. There are no defenses to or offsets against the obligations of the City under the Raw Water Supply Contract. All representations and warranties of the City in and under the Raw Water Supply Contract are true and correct except as may have been disclosed in writing to GLWA prior to the date hereof.

**Section 1.03 Fair Value**. The License being granted hereby is being given for fair value and in consideration of the rights, services and benefits granted to the City under and pursuant to the transactions contemplated by the Master Agreement. As of the Effective Date, the City is not insolvent, nor is it made insolvent as a result of the licenses granted hereunder. As of the Effective Date, the City is generally able to pay its debts as they become due.

## **ARTICLE II**

### **IRREVOCABLE LICENSE**

**Section 2.01 Raw Water and License**. Subject to the KWA Financing Contract dated August 1, 2013 ("*Financing Contract*"), and the Raw Water Supply Contract, Customer has rights to up to 18 MGD raw water capacity, delivery of that water and its use. Customer makes an irrevocable grant of an exclusive license of these rights related to the 17.46 MGD of raw water capacity, to the extent of Customer's rights therein, whether now existing or hereafter arising, to use in any way GLWA determines in its sole discretion and otherwise in compliance with the Raw Water Supply Contract. Customer may not terminate this license and Customer's exclusive remedies for breach are damages and equitable relief. City may not amend, or take any

action under, the Raw Water Supply Contract inconsistent with this irrevocable grant. This license shall survive the termination of the Flint Contract and any default by the City under the Raw Water Supply Contract. GLWA shall be entitled to receive delivery of 17.46 MGD and City shall retain 0.54 MGD for the term of the Flint Contract and thereafter as provided for therein.

**Section 2.02 License of 72 Inch Main and Dort Highway Main.** City hereby irrevocably grants to GLWA, at no additional charge, an exclusive license to use the 72 Inch Main and Dort Highway Main to supply potable water. This license does not confer any rights to GLWA to tap new connections into 72 Inch Main and Dort Highway Main to serve other GLWA customers without the City's written approval, which shall not be unreasonably withheld. This license is granted for an initial term of thirty (30) years, subject to ten year renewals thereafter, and shall, in any event, run concurrent with the term of the Flint Contract.

**Section 2.03 License of Licensed Main.** City hereby irrevocably grants to GLWA, at no additional charge, an exclusive license to use the Licensed Main to supply potable water. This license does not confer any rights to GLWA to tap new connections into the Essential Water Mains to serve other GLWA customers without the City's prior written approval, which shall not be unreasonably withheld. This license of the Licensed Main shall survive the termination of the Flint Contract and any sale or other transfer of legal control of the 72 Inch Main and/or the Licensed Main.

### **ARTICLE III**

#### **GLWA RAW WATER CAPACITY PURCHASE RIGHT**

**Section 3.01 Right to Purchase.** After the City fulfills all of its debt service payment obligation to KWA pursuant to the Financing Contract (a) all of the City's remaining interest in 17.46 MGD shall transfer to GLWA upon GLWA delivering written notice to KWA of such transfer, and (b) GLWA shall have, within six months after the date of the City's fulfillment of its debt service obligation, the exclusive right to purchase City's 0.54 MGD for \$3,000,000.

### **ARTICLE IV**

#### **RAW WATER CAPACITY RIGHT OF FIRST REFUSAL**

**Section 4.01 Right of First Refusal.** If, after expiration of the Flint Contract, GLWA, in its sole discretion, determines that it no longer wishes to use the rights so licensed, or any portion thereof, then City shall have a right of first refusal to purchase said rights for an amount to be determined pursuant to the Flint Contract, prior to GLWA's sale or transfer of said rights.

## ARTICLE V

### MISCELLANEOUS

**Section 5.01 Savings Clause.** If any provision of this License or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this License shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law. If any agreement or obligation contained in this License is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the City or GLWA, as the case may be, to the full extent permitted by law.

**Section 5.02 Agreement of Parties.** This License, the Flint Contract, and the Master Agreement contain the entire agreement between the parties thereto and all prior negotiations and agreements are merged into the agreement. Neither the City nor GLWA has made any representations except those expressly set forth in this License, the Flint Contract, and the Master Agreement, and no rights or remedies are, or shall be, acquired by either party by implication or otherwise unless expressly set forth in this License, the Flint Contract, and the Master Agreement.

**Section 5.03 Remedies and Governing Law.** The rights and remedies set forth in this License are not exclusive and are in addition to any of the rights or remedies provided by law or equity. This License and all actions arising under it shall be governed by, subject to, and construed according to the laws of the State of Michigan.

*[Signature on Next Page]*

**IN WITNESS WHEREOF**, this License is duly and irrevocably granted by the City to GLWA as of the Effective Date.

**CITY OF FLINT**

By: \_\_\_\_\_  
Dr. Karen Weaver  
Its: Mayor

STATE OF MICHIGAN            )  
  ) ss.  
COUNTY OF GENESEE        )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 2017, by Dr. Karen Weaver, Mayor of the City of Flint.

\_\_\_\_\_  
Notary Public, State of Michigan  
\_\_\_\_\_ County, Michigan  
Acting in the County of \_\_\_\_\_  
My commission expires: \_\_\_\_\_

---

Exhibit A

Legal Description of Essential Water Mains

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See Attached.

# **EXHIBIT B**

**RECIPROCAL BACKUP WATER SERVICE CONTRACT**

**BETWEEN**

**GREAT LAKES WATER AUTHORITY, A MICHIGAN MUNICIPAL AUTHORITY**

**AND**

**GENESEE COUNTY DRAIN COMMISSIONER, A MICHIGAN COUNTY AGENCY**



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**RECIPROCAL BACKUP WATER SERVICE CONTRACT  
BETWEEN  
GREAT LAKES WATER AUTHORITY  
AND  
GENESEE COUNTY DRAIN COMMISSIONER**

This Reciprocal Backup Water Service Contract is made between the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended, with its principal place of business located at 735 Randolph, Suite 1900, Detroit, Michigan 48226, and the Genesee County Drain Commissioner, a Michigan county agency organized pursuant to Act 342, Public Acts of Michigan, 1939, as amended ("Act 342"), with its principal place of business located at 4610 Beecher Road, Flint, Michigan 48532. GLWA and GCDC may be referred to individually as "Party" or collectively as the "Parties."

**Recitals**

The Board of Commissioners of Genesee County authorized and directed, pursuant to the provisions of Act 342, the establishment of a water supply system designated as the GCDC System consisting of a source of water supply, transmission mains, and all other facilities necessary to supply water to various units of government located within and outside of Genesee County; and

GCDC is designated by Genesee County as the county agency pursuant to Act 342 to establish, maintain, and operate the GCDC System and to supervise and control the operation of that GCDC System; and

In 1968, GCDC, through a contract with Flint, began receiving water from the City of Detroit ("Detroit") which it then distributed to other Genesee County customers; and

In 2010, the Counties of Genesee, Lapeer and Sanilac and the Cities of Flint and Lapeer formed the KWA to deliver raw water to its member communities; and

In 2012, GCDC began construction of a water treatment plant ("GCDC WTP") to process the raw water delivered by the KWA to GCDC; and

Beginning in 2014, during the period that the KWA transmission pipeline was being constructed, Flint ceased receiving water from Detroit and instead began using water from the Flint River and treating it at the Flint Water Treatment Plant to provide water to its residents while GCDC continued to receive water from Detroit; and

Because Flint no longer required its 72" pipeline which connected Flint to the Detroit water system, Flint sold a portion of its 72" pipeline to GCDC; and

In 2014 and 2015 Flint, the Michigan Department of Environmental Quality ("MDEQ") and the United States Environmental Protection Agency determined that the water received by Flint residents from the Flint River and treated by Flint threatened their health and safety; and

On June 12, 2015, GLWA and Detroit entered into a Regional Water Supply System Lease (the "Lease") for the purpose of leasing the public water supply system owned by Detroit to GLWA to be operated and maintained by GLWA for a minimum term of 40 years; and

In October 2015, Detroit agreed to begin providing Flint with potable water again; and

On October 14, 2015, to allow Flint to receive Detroit water, GCDC granted Flint a license to transmit Detroit water through the 72" pipeline; and

Beginning on January 1, 2016, under the terms and conditions of the Lease, wholesale service functions previously conducted by Detroit are now conducted by GLWA; and

The Parties have been advised that the MDEQ will require Flint to maintain a redundant source of water if Flint continues to receive water from GLWA; and

To the extent available, GCDC is willing and able to provide GLWA with a portion of the required redundant source of water supply for Flint; and

GCDC seeks to obtain, and GLWA is willing and able to provide, short-term wholesale water supply services from GLWA; and

Each Party also seeks to obtain reciprocal backup water services from the other Party, which each Party is willing and able to provide; and

Accordingly, in consideration of the mutual covenants and agreements in this Contract, the Parties agree as follows:

### **Article 1. Definitions**

1.01 The following words and expressions, or pronouns used in their stead, shall be construed as follows:

**"Allocation Flow Rate"** shall mean the value that is established as a result of a breach of Section 6.02 herein and which value shall replace the contractual Maximum Flow Rate in the charge calculation process in the event that Section 6.03C herein is applied by the GLWA.

**"Annual Volume"** shall mean the actual volume of water used by GCDC for the period of July 1<sup>st</sup> to June 30<sup>th</sup> as measured on bills issued from August 1<sup>st</sup> through July 31<sup>st</sup>.

**"Backup Water"** shall have the meaning ascribed in Article 2 herein.

**"Board"** shall mean the GLWA Board of Directors.

“**Contract**” shall mean each of the various provisions and parts of this document, including all attached Exhibits and any amendments thereto, as may be executed and approved by GCDC and the Board.

“**Contract Term**” shall have the meaning ascribed in Article 3 herein.

“**Emergency**” shall have the meaning ascribed in Section 2.05 herein.

“**Flint**” shall mean the City of Flint, a Michigan municipal corporation, located in Genesee County.

“**GCDC**” shall mean the Genesee County Drain Commissioner, a Michigan county agency, organized pursuant to Act 342, Public Acts of Michigan, 1939, as amended, including its successors in interest.

“**GCDC Fixed Fee**” shall mean the rate established by GCDC for providing the capacity to treat water at the volume of 2,000,000 gallons per day on a 30 day average.

“**GCDC Maximum Day Demand**” shall mean GCDC’s recorded water usage on the GLWA Maximum Day. GCDC Maximum Day Demand shall, in conjunction with GCDC Peak Hour Demand, be a component of its Maximum Flow Rate.

“**GCDC Peak Hour Demand**” shall mean GCDC’s recorded water usage during the GLWA Peak Hour. GCDC Peak Hour Demand, in conjunction with GCDC Maximum Day Demand, shall be a component of its Maximum Flow Rate.

“**GCDC Projected Annual Volume**” shall mean the projected annual water sales to GCDC as set forth in Exhibit B, Table 1.

“**GCDC System**” shall mean the public water works system owned, and/or operated and/or maintained by GCDC.

“**GLWA**” shall mean the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended, governed by its Board of Directors and its day-to-day operations conducted by its Chief Executive Officer, including its successors in interest.

“**GLWA Maximum Day**” shall mean the maximum reported water production day for the GLWA System during any twenty-four hour period as measured from 12:00 a.m. Eastern Standard Time in any given calendar year, as determined by GLWA in reviewing water production and storage reports.

“**GLWA Peak Hour**” shall mean the hour during the GLWA Maximum Day in which the most water is delivered to the GLWA System, measured from top-of-the-hour to top-of-the-hour (e.g. 7:00 a.m. to 8:00 a.m.), and as determined by GLWA in reviewing water production and pumping reports. In calculating the GLWA Peak Hour, the time period from 11:00 PM to 5:00 AM Eastern Standard Time (EST) shall not be considered.

“**GLWA System**” shall mean the public water works system leased, operated and maintained by GLWA and owned by the City of Detroit and, beginning on or after January 1, 2016, any improvements, additions and/or changes to the water system made by GLWA, which improvements, additions and/or changes shall be owned, operated and maintained by GLWA.

“**KWA**” shall mean the Karegnondi Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended, governed by its Board of Directors and its day-to-day operations conducted by its Chief Executive Officer, including its successors in interest.

“**KWA System**” shall mean the public water works system owned, and/or operated and/or maintained by KWA.

“**Maximum Flow Rate**” shall mean the aggregate amount of water usage that GCDC commits not to exceed, as measured in million gallons per day (MGD) as determined by the GCDC Maximum Day Demand and the GCDC Peak Hour Demand, collectively.

“**Meter Facility(ies)**” shall mean a location in which a water meter is housed including, without limitation, meter pits and meter vaults.

“**Projected Annual Volume**” shall mean the projected annual water sales to GCDC as set forth in Exhibit B.

“**Redundant Water**” shall have the meaning ascribed in Article 2 herein.

“**Technical Advisory Committee**” shall mean the committee consisting of representatives of GLWA, wholesale water customers of GLWA and their respective representatives, and shall include its successor or replacement if altered or discontinued. The Technical Advisory Committee or its successor shall remain in existence for a minimum term of January 1, 2008 until December 31, 2038 unless the committee determines otherwise.

“**Water Distribution Points**”, including “GLWA Water Distribution Points” and “GCDC Water Distribution Points”, shall have the meanings ascribed in Article 5 herein.

## **Article 2.**

### **Short-Term Wholesale Services, Flint Redundant Supply, and Reciprocal Backup Services**

- 2.01 Purpose. This Contract establishes the terms and conditions of the Parties relationship regarding the provision of three distinct types of water supply services between the Parties: (i) short-term wholesale potable water services by GLWA to GCDC, (ii) daily redundant supply of water to GLWA for the benefit of Flint using potable water provided by GCDC (“Redundant Water”), and (iii) reciprocal backup potable water services between GLWA and GCDC (“Backup Water”).
- 2.02 Necessary Infrastructure. This Contract necessitates the continued access to and use of certain water mains and Emergency Connections (as defined in Section 2.02C, below)

asset forth in this Section 2.02 (the “Necessary Infrastructure”). Any sustained unavailability or inaccessibility of any Necessary Infrastructure to or by a Party will permit a Party to invoke the provisions of Section 12.01 of this Contract.

- A. 72 Inch Main. The 72 inch potable water main extending west from the GLWA Meter Facility located at or near the intersection of Baxter and Potter Roads in Genesee County to the Flint city limits (the “72 Inch Main”), as depicted in Exhibit A.
- B. Dort Highway Main. The Dort Highway Main, once constructed, shall be defined as and comprised of the GCDC Main, the GLWA Pipe and the Flint Main (as each such term is defined in this Section 2.02).
- i. GCDC shall at all times own, operate and maintain in good working condition that portion of the potable water main from the upstream entry point of the future GCDC FL-02 Meter Facility, located at or near Frances Road and Dort Highway, into the GCDC FL-02 Meter Facility, through the meter and terminating at the GLWA Pipe (defined in Section 2.02B(ii)), as depicted in Exhibit A (the “GCDC Main”), used by GCDC, in part, to supply both Redundant Water and Backup Water to GLWA.
  - ii. GLWA shall own and operate that portion of pipe and valve within the GCDC FL-02 Meter Facility, as depicted in Exhibit A (the “GLWA Pipe”), which shall be maintained by GCDC at no cost to GLWA.
    - a. GCDC and GLWA shall each own and maintain separate electronic communication systems within the GCDC FL-02 Meter Facility. GLWA shall have reasonable access to the GCDC FL-02 Meter Facility. The Parties shall use the meter depicted in Exhibit A for the purposes of billing for Redundant Water and Backup Water, in accordance with this Contract. The meter shall at all times be maintained in good working order by GCDC.
  - iii. The Parties acknowledge that Flint shall own, operate and maintain that portion of the Dort Highway Main from termination of the GLWA Pipe to the Flint Water Treatment Plant, as depicted in Exhibit A (the “Flint Main”).
- C. Emergency Connections. GCDC shall at all times own, operate and maintain in good working order three connections that may be used to provide Backup Water to GLWA during an Emergency and identified as (i) EC-1, located at or near Henderson and Potter Roads, a 42” interconnection between the 72 Inch Main and the 48” GCDC main to the north; (ii) EC-2, located at or near Genesee and Richfield Roads, a 24” interconnection between the 72 Inch Main and the 30” GCDC main to the south; and (iii) EC-3, which may be constructed in the future and located at or near Henderson and Potter Roads, a 36” interconnection between the 42” GCDC main to the GLWA FL-01 Meter Facility located at or near Baxter

and Potter Roads (collectively, the “Emergency Connections”). Normally, all Emergency Connections shall be in the closed position.

- 2.03 Short-Term Wholesale Services. GLWA will be the sole supplier of short-term wholesale potable water supply services to GCDC until at least September 30, 2017, in accordance with the terms of this Contract and will supply GCDC with a volume of water necessary to meet the GCDC Peak Hour Demand as provided in Exhibit B, Table 2. GCDC will provide to GLWA a minimum of two weeks prior written notice of GCDC’s intent to discontinue the GLWA short-term wholesale services; provided, however, that such notice shall not be issued prior to September 17, 2017. GCDC shall also provide a 48-hour written confirmation of turn off. The Parties anticipate that on or about October 1, 2017, GCDC will be able to supply its customers with potable water from the GCDC WTP. For any short-term wholesale services provided on or after October 1, 2017, GLWA will calculate the fixed fee on a daily prorated basis.
- 2.04 Redundant Water Supply. GCDC will supply Redundant Water to GLWA through the Dort Highway Main for GLWA to supply to Flint.
- A. GCDC will supply to GLWA a volume of Redundant Water of approximately 5% of Flint’s daily flow. This volume is estimated to be 0.5 MGD and is expected to fluctuate on any given day.
  - B. The Parties acknowledge that Flint will in accordance with plans and specifications approved by GCDC construct and install at no cost to GCDC or GLWA, and GCDC will own, operate and maintain, a Meter Facility (to be designated as “FL-02”) and meter at an agreed upon location to measure the volume of Redundant Water, as depicted in Exhibit A. The Parties further acknowledge that Flint will install any necessary equipment including, without limitation, flow control devices within the GCDC Meter Facility in order to manage and control the amount of water taken through the meter. GLWA shall have the right to access both the GCDC Meter Facility and the meter data.
- 2.05 Reciprocal Backup Services Provided by GCDC. Subject to the limitations of Section 2.05A and as requested by GLWA, GCDC will supply Backup Water to GLWA for use by GLWA for Flint and/or other GLWA customers during periods of planned maintenance, system repairs, system outages, loss of power supply, contamination, or other mutually acceptable reasons (collectively, “Emergency”).
- A. Unless otherwise agreed by the Parties, the amount of Backup Water to be provided by GCDC may vary based upon the requirements of GLWA but in no case shall the available GCDC capacity be less than 2 MGD. Additional capacity requirements will be as GCDC has available to a maximum of 18 MGD.
  - B. If GLWA requires Backup Water from GCDC to address an Emergency, it shall notify GCDC of the same and the anticipated daily volume of Backup Water believed necessary for the Emergency. This notice shall be given with as much advance notice of the specific need and scope of the Emergency as is practicable under the circumstances. After GLWA notifies GCDC that it requires Backup

Water, both GCDC and GLWA shall take all steps necessary to deliver and receive the Backup Water. If GCDC cannot provide at least 2 MGD of Backup Water, GCDC shall notify GLWA within 8 hours.

- C. GCDC shall endeavor to provide Backup Water to GLWA at a minimum pressure of 40 pounds per square inch at the Water Distribution Point(s) set forth in Exhibit A.

2.06 Reciprocal Backup Services Provided by GLWA. Subject to the limitations of Section 2.06A and as requested by GCDC, GLWA will supply Backup Water to GCDC during an Emergency for use by GCDC for its customers, which customers shall not include Flint.

- A. Unless otherwise agreed by the Parties, the amount of Backup Water to be provided by GLWA may vary based upon the requirements of GCDC up to 18 MGD.
- B. If GCDC requires Backup Water from GLWA to address an Emergency, it shall notify GLWA of the same and the anticipated daily volume of Backup Water believed necessary for the Emergency. This notice shall be given with as much advance notice of the specific need and scope of the Emergency as is practicable under the circumstances. After GCDC notifies GLWA that it requires Backup Water, both GCDC and GLWA shall take all steps necessary to deliver and receive the Backup Water. If the GLWA Backup Water becomes unavailable, GLWA shall notify GCDC within 8 hours.
- C. GLWA shall endeavor to provide Backup Water to GCDC at a minimum pressure of 40 pounds per square inch at the Water Distribution Point(s) set forth in Exhibit A.

2.07 Effect of Default by Flint pursuant to the KWA Financing Contract. If the County of Genesee acquires Flint's capacity in the KWA System in accordance with the KWA Water Authority Financing Contract dated August 1, 2013, by and among KWA, Flint and the County of Genesee ("KWA Financing Contract") due to Flint's failure to fulfill its payment obligations as set forth in Exhibit B of the KWA Financing Contract ("Exhibit B"), GCDC shall reserve 2 MGD of GCDC's 42 MGD of capacity to provide emergency potable water to GLWA. Such use of GCDC capacity for the benefit of GLWA shall expire on the earlier to occur of: (a) Flint curing its default in payment(s) as provided under Exhibit B, including payment of all applicable interest and penalties; or (b) the expiration of the Term as defined in the Three Party Agreement between Flint, GLWA and KWA dated as of the Effective Date of the Master Agreement and attached thereto as Exhibit D.

2.08 Meter Data. In order to effectuate the terms and conditions of this Article 2, each Party shall freely and routinely, as mutually agreed, provide to the other Party metered commodity usage data from each metered Water Distribution Point in a form acceptable to that Party.



- 2.09 Notice of Shutdown. Each Party shall provide 3 days advance written notice to the other Party in the event of any scheduled shut down of any infrastructure necessary to the performance of this Contract and any Meter Facilities, when such shut downs are expected to last longer than 8 consecutive hours in duration.
- 2.10 Raw Water Main. The Parties acknowledge that KWA owns a 36-inch raw (non-potable) water main which, as of the Effective Date, extends from the GCDC WTP site and terminates at a KWA meter pit in the proximity of Center Road near Pierson Road (“Raw Water Main”), as depicted in Exhibit A.

### **Article 3. Contract Term**

- 3.01 Term. The term of this Contract shall be for a period of thirty years from the effective date of this Contract (“Contract Term”). The effective date of this Contract shall be the Effective Date of the Master Agreement to which this Contract is attached as Exhibit B (the “Effective Date”).
- 3.02 Renewal. This Contract does not automatically renew, however, the relationship established between the Parties to this Contract is encouraged to continue beyond the Contract Term. On July 1, 2042, or at any time more than 194 calendar days prior to the expiration of the Contract Term, a Party desiring to extend the Contract Term shall provide notice thereof to the other Party in accordance with Section 17.03. The Party in receipt of a request to extend the Contract Term shall, within fourteen calendar days, provide a written acknowledgement (“Acknowledgement”) of such request and the Parties shall thereafter meet and discuss the continuation of the relationship established by this Contract, any extension of the Contract Term, modifications to the terms of this Contract, and any other matters of mutual concern. The Parties shall have 180 calendar days from the date of receipt of the Acknowledgement in which to negotiate the terms of any extension of the Contract Term; the Parties may agree to extend the negotiation period.

### **Article 4. Early Termination**

- 4.01 No Early Termination. Subject to Section 12.01, termination of this Contract without cause prior to the expiration of its stated term is not permitted.
- 4.02 Early Termination Liquidated Damages. Notwithstanding the terms of Section 4.01, if either Party terminates this Contract without cause before the expiration of its term, that Party shall pay to the other Party the sum of \$2,000.00 per day as liquidated damages for that portion of the Contract Term remaining following the date of early termination.

### **Article 5. Delivery of Water**

- 5.01 Delivery Location. Water shall be delivered by GLWA to GCDC at the location(s) identified in Exhibit A (collectively, the “GLWA Water Distribution Points”), and at

other locations as may be mutually agreed upon in writing by GLWA and GCDC. Water shall be delivered by GCDC to GLWA at the location(s) identified in Exhibit A (collectively, the "GCDC Water Distribution Points"), and at other locations as may be mutually agreed upon in writing by GLWA and GCDC.

- 5.02 Limit of Responsibility. Neither Party shall have any responsibility for distributing, operating, repairing, replacing and maintaining any portions of the other Party's water supply system downstream of the Water Distribution Points shown in Exhibit A, provided, however, that this Section 5.02 does not prevent the application of the provisions of Section 12.02 herein.
- 5.03 GLWA and GCDC Responsibility Defined. GLWA owns or leases, and is responsible for operating and maintaining all parts of the GLWA System upstream from the GLWA Water Distribution Points as depicted in Exhibit A. GCDC owns and is responsible for operating and maintaining all parts of the GCDC System upstream from the GCDC Water Distribution Points as depicted in Exhibit A. If either Party fails to maintain its Meter Facilities and/or any equipment within its Meter Facilities, the other Party shall provide written notice to the owner of the Meter Facilities which describes the objectionable condition of the Meter Facility and/or the equipment within, and its intent to take reasonable steps to maintain the condition and charge the reasonable cost of doing so to the owner of the Meter Facilities. Upon receipt of the notice and subject to Section 12.01, the owner of the Meter Facilities shall have thirty calendar days to repair the condition specified in the notice, unless a Force Majeure Event prevents the repair within the thirty-day period. If the owner of the Meter Facilities has not repaired the condition at the conclusion of the thirty-day period and has not provided a written explanation to the other Party explaining the reason for the delay (e.g. necessary parts are on order or occurrence of a Force Majeure Event specified in Section 12.01), then the other Party may take reasonable steps to maintain the specified condition and charge the reasonable cost of doing so to the owner of the Meter Facilities.
- 5.04 Change or Addition of Water Distribution Points. Water Distribution Points may be added or changed only by the express written agreement of the Parties and shall be embodied in a written amendment to this Contract.
- 5.05 Sole Supplier. Except as provided in Article 18 herein, GLWA shall be the sole supplier of public potable water to Flint and to GCDC during the short-term provision of wholesale water supply services to GCDC by GLWA.

## **Article 6. Maximum Flow Rate**

- 6.01 Application. The terms of this Article 6 shall only apply for as long as GCDC continues to receive short-term wholesale water supply services from GLWA and upon cessation of such services, this Article 6 shall no longer have any force and effect.
- 6.02 Maximum Flow Rate. GCDC's Maximum Flow Rate is specified in Exhibit B. GCDC shall not exceed the Maximum Flow Rate specified in Exhibit B, as measured in million gallons, on the GLWA Maximum Day and during the GLWA Peak Hour.

- A. GLWA shall notify all customers in writing on or before October 1 of each calendar year if GCDC or any other wholesale customer is alleged to have exceeded its Maximum Flow Rate in a given calendar year. The notice shall state the day and/or hour that GCDC or any other wholesale water customer is alleged to have exceeded its Maximum Flow Rate.
- B. If GCDC is alleged to be in breach of its obligations under this Section 6.02, the Parties shall endeavor to meet before November 1 of the current calendar year, or as soon as practicable, for the purposes of validating the breach, reviewing and analyzing the causes, and to negotiate a possible remedy pursuant to Sections 6.03 and 6.04 herein.
- C. The Technical Advisory Committee's Analytical Work Group, or its successor shall review any alleged breach of this Section 6.02.
  - i. The Analytical Work Group shall meet once, at a minimum, on or before November 1 of each calendar year to review the alleged breaches, if any, and may thereafter schedule subsequent meetings as necessary to conclude its review.
  - ii. GLWA will seek a recommendation from the Analytical Work Group on (1) an Allocation Flow Rate, if any, and/or (2) concurrence with the remedy tentatively negotiated between GCDC and GLWA, if any. GCDC and GLWA shall have the right to present any information related to the alleged breach a Party deems necessary to the deliberations.
  - iii. Any recommendation submitted by the Analytical Work Group shall be received by GLWA on or before December 1 of each calendar year.

6.03 Remedy for Non-Compliance with Maximum Flow Rate. GLWA has no obligation to supply to GCDC more than the Maximum Flow Rate. If GCDC exceeds its Maximum Flow Rate on the GLWA Maximum Day or during the GLWA Peak Hour, GLWA and GCDC may, as needed, take one or more of the following actions set forth in this Section 6.03. The applicability of any particular action shall be evaluated by GLWA on a case-by-case basis.

- A. GLWA may require that GCDC take all reasonable steps to reduce its consumption to the Maximum Flow Rate. Such steps may include water conservation measures, outdoor water use restrictions, water loss studies and remediation, and an internal system operation evaluation.
- B. The Parties may meet to negotiate a new Maximum Flow Rate. If so negotiated, GCDC shall pay the charge associated with the new Maximum Flow Rate in the subsequent fiscal year.

- C. For charge-making and cost allocation purposes only, GLWA may recalculate GCDC's charge for the current and/or subsequent fiscal years utilizing a revised cost allocation formula as follows:
- i. GLWA shall, as set forth below, establish an Allocation Flow Rate to replace the contractual Maximum Flow Rate in the charge calculation process.
  - ii. The Allocation Flow Rate shall be applied from no earlier than the first exceedance date forward.
  - iii. The Allocation Flow Rate will be at least equal to the flow rate demonstrated by GCDC on the GLWA Maximum Day, and may be higher than the actual flow rate demonstrated by GCDC.
  - iv. Pursuant to Section 6.02C, if GLWA receives a recommendation on the Allocation Flow Rate to be applied from the Analytical Work Group and the recommendation is higher than twice the amount by which the demonstrated flow rate exceeded the original Maximum Flow Rate, then GLWA shall be limited to establishing an Allocation Flow Rate that is at least equal to the flow rate demonstrated by GCDC on the GLWA Maximum Day and no higher than the recommendation provided by the Analytical Work Group.
  - v. If no recommendation on the Allocation Flow Rate to be applied is received by GLWA, or if GLWA receives a recommendation and the recommendation is less than twice the amount by which the demonstrated flow rate exceeded the original Maximum Flow Rate, then GLWA shall be limited to establishing an Allocation Flow Rate that is at least equal to the flow rate demonstrated by GCDC on the GLWA Maximum Day and no higher than twice the amount by which the demonstrated flow rate exceeded the original Maximum Flow Rate.
  - vi. The Allocation Flow Rate will continue to be applied to each subsequent year's charge calculation process until the Maximum Flow Rate is renegotiated.
  - vii. If a charge has been approved for the subsequent fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) but the charge has not yet been applied, GLWA may modify GCDC's charge for that subsequent fiscal year to account for an exceedance of its Maximum Flow Rate.
  - viii. If GLWA and/or the City of Detroit has built capital facilities based upon GCDC's negotiated Maximum Flow Rate and GCDC consistently exceeds its Maximum Flow Rate, then GLWA may re-calculate the amount of GCDC's percentage of the capital cost of such facilities.

- 6.04 Procedure for Non-Compliance with Maximum Flow Rate. In addition to the remedies specified in Section 6.03, if GCDC has failed in its obligations under Section 6.02, the Parties shall meet to discuss the reasons for the non-compliance and if agreed necessary, develop a mutually agreeable written corrective action plan by December 31 of the year in which the non-compliance occurred, or as otherwise agreed. Any corrective action plan required under this Section 6.04 shall include a timetable for resolution of the non-compliance issue(s).
- A. If the Parties determine that a corrective action plan is not required and an incident of non-compliance occurs in the subsequent calendar year, the Parties shall meet to develop a mutually agreeable written corrective action plan by December 31 of the year in which the non-compliance occurred, or as otherwise agreed.
- B. In the event the reason for GCDC's non-compliance under Section 6.02 is due to a GCDC water main break, fire or meter calibration performed by GLWA, these events will be taken into consideration in determining (1) whether a corrective action plan is warranted and (2) the extent to which, if any, the steps specified in Section 6.03 should apply.

**Article 7.**  
**Technical Advisory Committee**

- 7.01 Establishment. The Technical Advisory Committee exists to facilitate a cooperative working partnership between GLWA and its wholesale water customers by facilitating the development of recommendations regarding GLWA System planning and supply to GLWA management and the Board. The Technical Advisory Committee shall maintain bylaws that govern the way it conducts its business. In the event of a conflict between the terms of the bylaws adopted by the Technical Advisory Committee and the terms of this Contract, the terms of this Contract shall control.
- 7.02 General Responsibilities. The Technical Advisory Committee shall periodically review and evaluate the charges, charge methodology, and performance of the GLWA System. The Technical Advisory Committee shall review and evaluate flow rates, pressures and Annual Volumes for the GLWA System at a minimum of every five years to assist GLWA in the GLWA System planning effort. The Technical Advisory Committee shall have the opportunity each year to review the Capital Improvement Program as prepared by GLWA, prior to its adoption by GLWA. GLWA will supply the Technical Advisory Committee with information GLWA deems reasonably necessary to accomplish the general responsibilities defined in this Section 7.02.
- 7.03 Annual Report by GLWA. GLWA will present an annual report to the Technical Advisory Committee which shall consist of (1) all instances of non-compliance with the Parties' obligations contained in Article 6 herein, including customer and GLWA responses thereto; and (2) a general report on GLWA System operation and maintenance; and (3) a report that lists those contracts, if any, that have been entered into by GLWA and another customer(s) where the terms of the contract(s) invoke the application of Article 14, Ensuring Equality of Contract Terms, of other GLWA customer contracts.

- 7.04 Notification of Charges. GLWA shall provide the Technical Advisory Committee with notice of the proposed charges for each fiscal year as early as possible before the implementation of the charges.
- 7.05 Disclosure of Charge Information by GLWA. Each year, GLWA will disclose to the Technical Advisory Committee information related to wholesale charges.
- 7.06 Work Groups. The Technical Advisory Committee may create work groups to address specific issues facing the GLWA System. The work groups in existence as of January, 2017, are the Analytical Work Group, the Asset Management and CIP Work Group, the Best Practices Work Group, the Charges Work Group, and the Public Education Work Group. Any reference to a particular work group in this Contract shall include its successor or replacement if altered or discontinued.

### **Article 8. Charges**

- 8.01 Short Term Wholesale Service Charges. GCDC agrees to pay for all water supplied by GLWA for short-term wholesale services as set forth in Exhibits C and D.
- 8.02 Redundant Water and Backup Water Charges. The price for Redundant Water and Backup Water shall be determined on an annual basis based upon the cost incurred by GCDC to treat and deliver finished water to GLWA. The Redundant Water supplied shall be subject to the GCDC Fixed Fee and applicable commodity charges for actual usage. There shall be no charge to GLWA for the volume of raw water supplied by KWA to GCDC for treatment for the benefit of GLWA; however, the amount of raw water utilized to provide the GCDC potable water shall be deducted from the annual raw water capacity assigned to Flint by KWA. The price per unit of water for Redundant Water and Backup Water, regardless of which Party is providing the service, shall be the same. The billing methodology shall be as shown in Exhibits C and E.
- 8.03 Flint Pass-Through Charges. As set forth in Exhibit E, the Parties expect GCDC to assess a non-recourse monthly service charge to GLWA that is assessed on a direct pass-through by GLWA to Flint (the "Pass-Through Charge"). The Parties agree that the Pass-Through Charge is expected to be paid to GCDC by the Trustee of the Baseline and All Receipts Trusts (the "Trust Accounts") (as such Trust Accounts are established and managed in accordance with the terms and conditions of Exhibit C, "Baseline and All Receipts Trust Agreement", of the Master Agreement), and GCDC's recourse for Pass-Through Charges shall be from Flint, including from amounts deposited by Flint to and through the Trust Accounts on the dates and in the amounts established thereunder. Charges for short-term wholesale service under Section 8.01 above, and for redundant water and backup water under Section 8.02 above shall not constitute Pass-Through Charges and are not payable through the Trust Accounts.
- 8.04 Notification of Charges. Not less than 120 calendar days prior to a change in the charges for Redundant Water and Backup Water, GCDC shall provide GLWA with written notice containing information on the proposed charges and information used in the calculation

of proposed charges to GLWA in a format mutually agreed upon between the Parties. At any time and upon request, GCDC shall meet with GLWA to review the charges and information used to calculate the charges.

- 8.05 Estimate of Usage. In the event meters fail to correctly measure the quantity of water supplied to either Party for any period of time, a Party shall provide in writing a reasonable estimate of the quantity of water supplied to the other Party for such period provided that there is a reasonable basis for the estimate. The Parties shall, either through their respective technical representatives and/or the Technical Advisory Committee, seek agreement upon a method to estimate such quantities. The Parties acknowledge and agree that all quantities of Backup Water supplied by GCDC to GLWA from EC-1, EC-2 and the potential future EC-3 shall be estimated in accordance with the protocol set forth in Exhibit C.

### **Article 9. Meters and Meter Facilities**

- 9.01 Metering Requirement. All water furnished by a Party to the other Party shall be measured by meters installed in Meter Facilities at the Water Distribution Points when meters are available.
- 9.02 Existing Distribution Points. Except as provided in Section 9.04, each Party shall own or lease, and operate and maintain its respective water meters and Meter Facilities for all existing Water Distribution Points, as depicted in Exhibit A.
- 9.03 Maintenance Responsibilities. Each Party shall be responsible for maintaining at its respective Water Distribution Points any and all appurtenances as may be designated as that Party's responsibility in Exhibit A. If a Party fails to maintain its appurtenances shown in Exhibit A, the other Party may take reasonable steps to maintain the appurtenances and charge the reasonable cost of doing so to the responsible Party. Prior to a Party taking action to maintain the appurtenances, that Party shall give the responsible Party thirty days written notice to complete the required maintenance. Notice to the responsible Party shall not be required if, in the Party's determination, there exists an Emergency condition affecting the operation of their respective water system or if the health, safety and welfare of the general public may be jeopardized.
- 9.04 Ownership and Maintenance of Meters and Meter Facilities. Except as provided in Section 2.02 B (ii), each Party shall operate, maintain, repair and replace its respective meters and Meter Facilities at its respective expense. If a Party requests a new Water Distribution Point from the Party supplying water, the requesting Party shall furnish at its sole expense a meter and Meter Facility that meets the supplying Party's specifications and shall, after installation, give ownership of the meter and Meter Facility over to the supplying Party, unless in the mutual agreement of the Parties it is not feasible or practical to install a meter at the location. In furtherance of the foregoing understandings, the Parties acknowledge that, as each of the following is depicted on Exhibit A: (i) Flint will, at a future date, furnish a meter and Meter Facility that meets GCDC's specifications for the Water Distribution Point on the Dort Highway Main and shall, after installation, give ownership of the meter and Meter Facility over to GCDC; (ii) the meter and Meter

Facility located at Baxter and Potter Roads on the 72 Inch Main is owned by GLWA; (iii) the existing Water Distribution Points at EC-1 and EC-2 are not and are not expected to be metered, and the facility housing these two Water Distribution Points is owned by GCDC; and (iv) GLWA may at a future date furnish an interconnection referred to as EC-3, which may or may not be metered, that if constructed will meet GCDC specifications and, subsequent to its completion, ownership of which will be transferred to GCDC.

**Article 10.  
Dispute Resolution**

- 10.01 The Parties may agree to use alternative dispute resolution to resolve any dispute between the Parties. This Article 10 shall not prohibit a Party from seeking relief directly from a court of competent jurisdiction at any time.

**Article 11.  
Default Provisions**

- 11.01 In the event either Party commits a material breach of this Contract, the Party alleging the breach shall give written notice of the breach to the other Party within a reasonable time of discovering the breach. The Party allegedly in breach shall be given a reasonable time to cure the breach. If the Party in breach fails to cure the breach, the non-breaching Party may declare this Contract in default and pursue all available legal remedies, including termination of this Contract for cause. In the event that the Party in breach is showing reasonable progress toward curing the breach, the Party alleging the breach may extend the time for curing the breach.

**Article 12.  
Force Majeure and Other Events**

- 12.01 Force Majeure. No failure or delay in the performance of a Party's material obligations under this Contract, in whole or in part, shall be deemed to be a breach thereof when such failure or delay is caused by a force majeure event including, but not limited to, any Acts of God, strikes, lockouts, wars, acts of terrorism, riots, epidemics, explosions, sabotage, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority, or any other cause, whether of the kind herein enumerated or otherwise, not within the control of a Party ("Force Majeure Event"), except that no cause or contingency shall relieve a Party of its obligation to make payment for water delivered to that Party. If a Party's ability to perform its material obligations under this Contract are affected by a Force Majeure Event, then the Party unable to perform (the "Affected Party") shall within a reasonable time provide written notice to the other Party of the nature of the Force Majeure Event and its anticipated duration, if known. If the effect of a Force Majeure Event continues for a period of 365 days, the Affected Party may give to the other Party a written notice of termination which shall take effect no earlier than 90 days after the delivery of such notice, or upon such other later date specified in the notice. If at the end of the period stated in the notice the effect of the Force Majeure continues, this Contract shall terminate.



- 12.02 Liability. Neither Party shall be held liable or accountable for any bursting, leakage, breakage, damage or accident of any kind that may occur to the other Party's water works system, or any damages of any kind or nature, including, but not limited to, injury to persons or damage to property, resulting from such bursting, leakage, breakage, damage or accident that may occur to water mains or pipes located downstream of the Water Distribution Points specified herein, or located within a Party's system.
- 12.03 Discontinuance of Service. In the event the public health, safety and welfare requires a Party to discontinue temporarily all or part of the supply of water to the other Party, no claims for damages of any kind or nature for such discontinuance shall be made by the other Party. The Party requiring the temporary discontinuance of the water supply will provide notice of the same to the other Party.

**Article 13.  
Timely Payment**

- 13.01 Bills for water service shall be rendered by a Party to the other Party on a monthly basis. All such bills shall be due and payable within forty-five calendar days from the date shown on the bill. Any portion of the charges that are not paid by the due date shall be subject to a finance charge at a rate of 1.5% per month, or such lesser charge as allowed by applicable law, for each month that they remain unpaid. Any portion of the total bill, plus any finance charges applied to the bill which are not paid by the next billing date, shall be shown on the next bill as arrears. Either Party may disconnect water service if its bills are overdue ninety calendar days from the billing date. Neither Party shall terminate water service if there is a good faith dispute concerning the accuracy of billings. If the accuracy of a bill is in dispute, the disputing Party shall place the disputed amount in an escrow account pending resolution of the dispute. Accrued interest on the escrow account shall belong to the Party that prevails in the resolution of the dispute.

**Article 14.  
Assignment**

- 14.01 This Contract shall not be assigned, in whole or in part, by either Party without the prior written consent of the other Party. Consent to an assignment by either Party shall not be unreasonably withheld.

**Article 15.  
RESERVED**

**Article 16.  
Amendment**

- 16.01 The Parties may periodically consider it in their best interests to change, modify or extend a term, condition or covenant of this Contract for reasons which may include, but are not limited to, the creation, expansion or closing of industry or other business. Any change, addition, deletion, extension or modification that is mutually agreed upon by GLWA and GCDC shall be incorporated in a written amendment to this Contract. Such

amendments shall not invalidate this Contract nor relieve or release either Party of any of its respective obligations under this Contract unless so stated in the amendment.

- 16.02 No amendment to this Contract shall be effective and binding upon the Parties unless it expressly makes reference to this Contract, is in writing, is signed and acknowledged by duly authorized representatives of both Parties, and is approved by GCDC and the Board.

#### **Article 17. Notices**

- 17.01 Except as otherwise specified herein, all notices, consents, approvals, requests and other communications (collectively, "Notices") required or permitted under this Contract, including without limitation those for billing, payment and other routine correspondence regarding day-to-day operational matters, shall be given in writing and mailed by first class mail to the Parties and at the addresses identified in Exhibit B, Table 3.
- 17.02 All Notices shall be deemed given on the day of post-marked mailing. Any Notice given by a Party hereunder shall be signed by an authorized representative of such Party.
- 17.03 Notwithstanding the requirement above as to the use of first-class mail, Notices regarding change of address and any Notices required by Sections 3.02, 5.03, 9.03, 11.01, and 12.01, shall be sent by certified first-class mail, postage prepaid, return receipt requested.

#### **Article 18. Water Quality**

- 18.01 Contamination. For the protection of the health of all consumers supplied with water from each Party's watersystem, each Party agrees to guard carefully against all forms of contamination. If contamination occurs, the area or areas affected shall immediately be shut off and isolated, and shall remain so until such conditions shall have been abated, and the water declared safe and fit for human consumption by the properly constituted governmental health agencies having jurisdiction of the area affected. GCDC shall immediately notify GLWA, and GLWA shall immediately notify GCDC, of any Emergency or condition that may affect the quality of water in either Party's system.
- 18.02 Blending. As long as supplied in compliance with the requirements of any law, regulation, permit or order of any state and/or federal agency, supplying approximately 5% of Flint's daily flow of potable water produced by GCDC (estimated at 0.5 MGD) through the Dort Highway Main is necessary and permissible under this Contract to meet water quality regulatory standards in the event Backup Water is required. The Parties understand that Flint will blend the water received through the Dort Highway Main with that water received through the 72 Inch Main at Flint's water treatment plant prior to its distribution and any required additional treatment as may be required of Flint by state and/or federal law, regulation, permit or order. The provisions on blending in this Section 18.02 are not considered a co-mingling of water sources and do not invoke the provisions of Section 18.03, below.

- 18.03 Co-mingling of Water Sources. Except in cases of Emergency and the provision of Redundant Water and Backup Water as contemplated in Sections 2.04, 2.05 and 2.06, the Parties will not permit water from any other source of supply to be mixed or mingled with water from the other Party's water system without prior written approval from the other Party. Notwithstanding the foregoing, the Parties acknowledge that GCDC will be allowed a ramping up period incident to the startup of the GCDC WTP. This ramping up period may include co-mingling of water produced by GLWA and water produced by the GCDC WTP within the GCDC System. GLWA will work with GCDC on a coordinated transition during the startup of the GCDC WTP and will waive the provisions of this Section 18.03 during the approved startup period, which period shall not exceed 8 weeks. In cases of Emergency, only such water from sources other than GLWA shall be used as shall meet the requirements of the Michigan Department of Environmental Quality, and then only in such quantities as shall be necessary to relieve the Emergency.
- 18.04 Emergency. During Emergencies, the water facilities of the Party experiencing the Emergency may be used and connected, at the discretion of the other Party, to water facilities serving other communities for flow in either direction to provide an adequate water supply from the GLWA System to GCDC and to other areas and other units of government. The Party experiencing the Emergency shall be permitted to immediately make an emergency connection when the connection point to be used has been previously approved for Emergency use by the other Party in writing, provided that the Party experiencing the Emergency shall, after making the connection, promptly notify the other Party of such event. When the Emergency has been abated, the emergency connection valve shall be closed as soon as practicable. The Party supplying water shall approve, in writing, the continuation of any emergency connection that is required for longer than seven calendar days. If an approved emergency connection continues for more than seven calendar days, the Party experiencing the Emergency shall provide the other Party with weekly updates on the Emergency and a schedule for abatement of the Emergency that shall be approved in writing.
- 18.05 Notice of Ramp Up or Ramp Down of Volume. In the event of an Emergency, the Party requiring the Backup Water shall provide notice as soon as reasonably practicable to the Party providing the Backup Water, by a mutually acceptable method, to increase or decrease the volume of potable water to be provided by the Party providing Backup Water.
- A. Ramp-Up Period. A Party shall not be responsible to supply Backup Water to the Party requiring Backup Water from the time a Party receives notice from the Party requiring Backup Water until 6 hours has passed.
- B. Ramp-Down Period. After a Party notifies the Party providing Backup Water that it is decreasing its demand due to the resolution of the Emergency, the Party providing Backup Water shall have 6 hours to decrease the water supply.
- 18.06 Water Quality. Each Party shall endeavor to remain in compliance with all applicable Michigan and Federal laws, rules and regulations regarding drinking water quality.

## Article 19.

**Rights-of-Way**

- 19.01 Use of Rights-of-Way. GCDC shall use its best efforts (which efforts shall not include the payment of fees or costs) to assist GLWA to obtain permission to use streets, highways, alleys, temporary easements and/or permanent easements in Genesee County for the purpose of constructing, maintaining, and operating water facilities to adequately service GCDC's jurisdiction and other areas.
  
- 19.02 Relocation of Facilities. If future construction by any city, township, village, or county requires relocation of a water transmission main, Meter Facility or other GLWA facility, the cost incurred by GLWA for such relocation, if not reimbursed by the entity requiring the relocation, will be charged in future charges as a common-to-all cost to all GLWA System users.

**Article 20.  
Access to Towers and Antennas**

- 20.01 Where possible, each Party shall give to the other Party access to towers and antennas under its respective jurisdiction for the purpose of transmitting information recorded in the Meter Facilities. Access shall not be unreasonably denied by either Party.

**Article 21.  
RESERVED**

**Article 22.  
Construction Standards**

- 22.01 Either Party shall have the right to review and approve the other Party's construction plans for meters and Meter Facilities at new Water Distribution Points. For any other construction that will cross, be within close proximity to, or which may otherwise have influence upon the other Party's water system infrastructure used to perform this Contract, the constructing Party shall notify the other Party of the proposed construction and the Parties shall meet to determine whether review and approval of the construction plans by the other Party is necessary. A Party's approval of construction plans of the other Party shall be timely and shall not be unreasonably withheld.

**Article 23.  
RESERVED**

**Article 24.  
Miscellaneous**

- 24.01 Severability. If any provision of this Contract or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Contract shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law.

- 24.02 Merger. Subject to the Master Agreement to which this Contract is an exhibit, this Contract, including its Exhibits A, B, C, D and E, contains the entire agreement between the Parties and all prior negotiations and agreements are merged into this Contract. Neither Party has made any representations except those expressly set forth in this Contract, and no rights or remedies are, or shall be, acquired by either Party by implication or otherwise unless expressly set forth in this Contract.
- 24.03 Interpretation. Unless the context otherwise expressly requires, the words "herein," "hereof," and "hereunder," and other words of similar import, refer to this Contract as a whole and not to any particular section or subdivision.
- 24.04 Headings. The headings of the sections of this Contract are for convenience only and shall not be used to construe or interpret the scope or intent of this Contract or in any way affect the same.
- 24.05 Governing Law. The rights and remedies set forth in this Contract are not exclusive and are in addition to any of the rights or remedies provided by law or equity. This Contract and all actions arising under it shall be governed by, subject to, and construed according to the laws of the State of Michigan.
- 24.06 Venue. Venue for disputes arising under this Contract shall be exclusive to Ingham County, Michigan.
- 24.07 Third Party Beneficiaries. Pursuant to the terms of its Lease with GLWA, Detroit is an acknowledged third party beneficiary of this Contract and this Contract shall not be construed to benefit any persons other than GLWA, Detroit, GCDC and, for the purposes of Section 8.02 only, KWA.
- 24.08 Counterparts. This Contract may be executed in any number of originals, any one of which shall be deemed an accurate representation of this Contract.
- 24.09 Benefits to Inure. The rights and benefits under this Contract shall inure to the benefit of and be binding upon the respective Parties hereto, their agents, successors, and permitted assigns.
- 24.10 Incorporation by Reference. The Recital paragraphs of this Contract and any and all documents, memoranda, reports, exhibits or other written material referred to in this Contract are and shall be fully incorporated by reference as though fully set forth herein.
- 24.11 Construction. This Contract shall be deemed to be mutually drafted and shall not be construed against either Party.
- 24.12 Waiver. Neither Party shall be deemed to have waived any of its rights under this Contract unless such waiver is in writing and signed by the other Party. No delay or omission on the part of a Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a waiver of any right on any future occasion.

24.13 Waiver and Release of Claims. Unless otherwise agreed in this Contract, each Party waives its rights to, and releases and forever discharges the other Party and its respective officers, directors, appointees, employees, agents, attorneys, representatives, successors and assigns (past, present and future) from, all manner of claims, actions, causes of action, demands, damages, lawsuits, debts, disputes, sums of money, promises, liabilities, obligations, losses, costs, expenses and compensation of every kind, name and nature, known or unknown, in law or equity, which it has or may have against the other Party relating in any way to, arising out of, or resulting from any and all water services provided by and between the Parties prior to 11:59 p.m. on the Effective Date of this Contract.

*(Signatures appear on next page)*

Accordingly, GLWA and GCDC, by and through their duly authorized officers and representatives, have executed this Contract.

**Genesee County Drain Commissioner, as County Agency:**

By: \_\_\_\_\_  
Jeffrey Wright

Its: Drain Commissioner

Attest:

By: \_\_\_\_\_  
John F. O'Brien

Its: Deputy Drain Commissioner

**Great Lakes Water Authority:**

By: \_\_\_\_\_  
Sue F. McCormick

Its: Chief Executive Officer

APPROVED BY  
GLWA BOARD OF DIRECTORS ON:

\_\_\_\_\_  
Date

APPROVED AS TO FORM BY  
GLWA GENERAL COUNSEL ON:

\_\_\_\_\_  
Signature Date

## EXHIBIT A

### Map Depicting Significant Infrastructure

This Exhibit contains the following information:

1. The location of all necessary water mains established in Section 2.02;
2. The specific location of all GLWA and GCDC Water Distribution Points;
3. A list of all approved emergency connections;
4. The designation of appurtenances to be maintained by GCDC and those to be maintained by GLWA;



EXHIBIT B

Projected Annual Volume; Maximum Flow Rate; Addresses for Notice

Table 1  
Projected Annual Volume

Fiscal Year Ending June 30	Projected Annual Volume (Mcf)
2017	523,000
2018	523,000

Table 2  
Maximum Flow Rate

Calendar Year	Maximum Flow Rate (MGD)	
	<u>Max Day</u>	<u>Peak Hour</u>
2017	<b>18.0</b>	<b>18.0</b>
2018	<b>18.0</b>	<b>18.0</b>

Table 3  
Addresses for Notice

<p><b>If to the GLWA:</b></p> <p>Great Lakes Water Authority 735 Randolph, Suite 1901 Detroit, Michigan 48226</p> <p>Attention: General Counsel</p>	<p><b>If to GCDC:</b></p> <p>Genesee County Drain Commissioner Division of Water and Waste Services G-4610 Beecher Road Flint, Michigan, 48532</p> <p>Attention: Drain Commissioner</p>
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## EXHIBIT C

### Charge Methodologies

1. For water being transmitted from GLWA to GCDC during short term wholesale services: GCDC shall be charged for the volume of water received based upon the meter reading from meter FL-01 less the meter readings from Flint Station 2 and Flint Station 3 meters.
2. For Redundant Water being transmitted from GCDC to GLWA pursuant to Section 2.04 of this Contract: GLWA shall be charged for the volume of water received based upon the meter reading from meter FL-02 (See Exhibit A).
3. For Backup Water being transmitted in an Emergency from GCDC to GLWA: GLWA shall be charged for the volume of water received based upon the meter reading from meter FL-02 and the estimates from EC-1, EC-2 and, if constructed, EC-3, in accordance with the following estimation protocol:

In this protocol, the following definitions shall apply to the formula stated:

a = GCDC WTP average daily production for 7 days prior to the Emergency (minus) FL-02 average daily use for 7 days prior to the Emergency;

b = GCDC WTP average daily production for 7 days after the Emergency (minus) FL-02 average daily use for 7 days after the Emergency;

c = GCDC WTP average daily production during the Emergency (minus) FL-02 average daily use during the Emergency;

d = Time period of the Emergency converted to days; and

e = Calculated volume for GCDC storage tank elevation changes during the Emergency

Estimate volume =  $((c - ((a + b)/2)) * d) + e$

4. For Backup Water being transmitted in an Emergency from GLWA to GCDC: GCDC shall be charged the estimated volume for water received in accordance with the following estimation protocol:

In this protocol, the following definitions shall apply to the formula stated:

a = FL-01 average daily use for 7 days prior to the Emergency;

b = FL-01 average daily use for 7 days after the Emergency;

c = FL-01 average daily use during the Emergency; and

d = Time period of the Emergency converted to days

Estimate volume =  $((c - ((a + b)/2)) * d)$

EXHIBIT D

GLWA Short Term Water Charges\*

\*Charges are applicable beginning January 1, 2017, and continue in accordance with Section 2.03 of this Contract

FY 2018 Suburban Wholesale Water Service Charge Calculation  
Genesee County Drain Commission

	(1)	(2)	(3)	(4)
	Total Cost Pool \$	Genesee County Drain Commission SHARE % Share (a)	Allocation \$	Service Charge Schedule
<b>BUDGET Categories</b>				
Commodity	9,148,600	3.301%	302,000	
Max Day Usage	148,313,500	2.442%	3,621,900	
Peak Hour Increment	9,289,800	0.000%	0	
Peak Hour Distance	39,338,000	4.183%	1,645,400	
Commodity Distance-Elevation	23,033,000	8.313%	1,914,700	
Max Day Distance-Elevation	10,217,400	5.707%	583,100	
Peak Hour Distance-Elevation	70,080,200	4.618%	3,236,200	
Peak Hour Increment Distance-Elevation	11,516,600	0.000%	0	
Subtotal Common-To-All	320,937,100	3.522%	11,303,300	
Suburban Only - Meter Related	3,307,900	5.398%	178,600	
Suburban Only - Customer Outreach	0	0.000%	0	
Subtotal FY 2017 BUDGET			11,481,900	
Detroit / Suburban Ownership Adjustment	20,700,000	3.991%	826,100	
<b>Total Amount for Net Charges</b>	<b>344,945,000</b>		<b>12,308,000</b>	<b>\$23.53 per Mcf avg u.c.</b>
<b>FY 2018 Service Charge Schedule</b>				
Fixed Monthly Charges @	60%		7,384,800	\$615,400 per month
Commodity Charges @	40%	523,000	4,923,200	\$9.41 per Mcf
Final System Charge Adjustment- <i>All wholesale water service charges reduced by:</i>				-2.0%
Adjusted Fixed Monthly Charge				\$603,300 per month
Adjusted Commodity Charge				\$9.23 per Mcf
<b>(a) Units / SHARE Calculations</b>				
	<u>Basis</u>	<u>Units</u> Mcf/day	<u>Applied Units</u> Mcf/day ~	
Annual Sales - Mcf	523,000	1,432.9		Avg annual for 24 mos. -> 9/2015
Allocated Non-Revenue Water		358.2		Allocated share @ 25.0% of sales
Commodity Units		1,791.1	1,791.1	Ln 17 + Ln 18
Max Day Units - mgd	18.00	2,406.2	2,764.5	Contract or proxy + Ln 18
Peak Hour Units - mgd	18.00	2,406.2	2,764.5	Contract or proxy + Ln 18
Distance - miles	52.0			
Elevation - feet	866.0			
Dist-Elev Factor - miles	76.2			[Ln 23-610]/10.56 + Ln 22
<b>Genesee County</b>				
<u>Cost Pool / Usage Category</u>	<u>Drain Commission</u>	<u>System</u>	<u>SHARE</u>	
Commodity Units - Mcf	1,791.1	54,267	3.301%	Ln 19
Max Day Units - Mcf/Day	2,764.5	113,204	2.442%	Ln 20
Peak Hour Increment - Mcf/Day	0.0	27,072	0.000%	Ln 21 - Ln 20
Peak Hour Distance - Mcf-miles/Day	143,752.7	3,436,770	4.183%	Ln 21 x Ln 22
Commodity Distance-Elevation - Mcf-miles/Day	136,483.7	1,641,873	8.313%	Ln 19 x Ln 24
Max Day Distance-Elevation - Mcf-miles/Day	210,653.0	3,691,123	5.707%	Ln 20 x Ln 24
Peak Hour Distance-Elevation - Mcf-miles/Day	210,653.0	4,561,709	4.618%	Ln 21 x Ln 24
Peak Hour Increment Dist-Elev - Mcf-miles/Day	0.0	870,586	0.000%	[Ln 21 - Ln 20] x Ln 24
Suburban Equivalent Meters	3,600.0	66,689	5.398%	Equivalent 5/8" meters
Suburban Outreach - Mcf/Day	0.0	0	0.000%	Ln 25
Suburban Wholesale BUDGET - \$	11,481,900	287,693,100	3.991%	Ln 12
<b>CTA Summary by Major Category</b>				
CTA Commodity		5.815%	2,216,700	
CTA Max Day		2.893%	4,205,000	
CTA Peak Hour		3.469%	4,881,600	
CTA Total Demand		3.177%	9,086,600	
TOTAL CTA SHARE		3.487%	11,303,300	

EXHIBIT E

GCDC Reciprocal Backup Water Rates  
(Incremental Fixed Charges and Commodity)

# **EXHIBIT C**

**BASELINE AND ALL RECEIPTS TRUST AGREEMENT**

**among  
the City of Flint,  
the Great Lakes Water Authority,  
the Karegnondi Water Authority,  
the Genesee County Drain Commissioner, and  
U.S. Bank National Association, as Trustee**

This Baseline and All Receipts Trust Agreement (this "Agreement") is made as of November \_\_, 2017 (the "Effective Date") by and among the City of Flint, a Michigan municipality, the address of which is 1101 S Saginaw Street, Flint, Michigan 48502 (the "City"), the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended, the address of which is 735 Randolph, Detroit, Michigan 48226 ("GLWA"), the Karegnondi Water Authority, a Michigan municipal authority and public body corporate organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended, the address of which is 4610 Beecher Road, Flint, Michigan 48532 ("KWA"), the Genesee County Drain Commissioner, as the designated County Agency for the County of Genesee, Michigan, pursuant to the provisions of Act 342, Public Acts of Michigan, 1939, as amended, the address of which is 4610 Beecher Road, Flint, Michigan 48532 ("GCDC") and U.S. Bank National Association, as Trustee, a national banking association, the address of which is 535 Griswold Street, Suite 550, Detroit, Michigan 48226 (the "Trustee"). The City, GLWA, KWA, GCDC and the Trustee may be referred to individually as "Party" or collectively as the "Parties."

**R E C I T A L S**

WHEREAS, the City and GLWA are entering into the Water Service Contract as of the date of this Agreement;

WHEREAS, under the terms of the Water Service Contract, the City is contractually obligated to make certain payments to GLWA;

WHEREAS, GLWA and GCDC are entering into the Reciprocal Backup Water Service Contract as of the date of this Agreement;

WHEREAS, under the terms of the Reciprocal Backup Water Service Contract, the GCDC Pass-Through Charges are billed from GCDC to GLWA, and those monthly service charges are assessed on a direct pass through basis from GLWA to the City pursuant to Water Service Contract;

WHEREAS, the City and KWA have previously entered into the KWA Financing Contract;

WHEREAS, under the terms of the KWA Financing Contract, the City is contractually obligated to make certain payments to KWA;

WHEREAS, the City and KWA have previously entered into the Raw Water Supply Contract;

WHEREAS, under the terms of the Raw Water Supply Contract, the City is contractually obligated to make certain payments to KWA; and

WHEREAS, the Parties are entering into this Agreement to provide for the orderly payment of amounts due to (i) GLWA under the Water Service Contract, (ii) KWA under the KWA Financing Contract, and (iii) GCDC under the Reciprocal Backup Water Service Contract.

NOW, THEREFORE, the Parties hereto, for valuable consideration the receipt of which is hereby acknowledged, agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.1 Definitions.** In this Agreement, the following words and terms shall, unless the context otherwise requires, have the following meanings:

**“Aggregate Monthly Amount Due”** means, as of any Monthly Due Date, the total of (i) the amount then due to GLWA under the Water Service Contract, which includes the GCDC Pass-Through Charge, as such amounts are identified by GLWA and GCDC in written notice to the Trustee and other Parties in accordance with Section 2.2, and (ii) the amount then due to KWA for KWA Designated Debt Service.

**“Agreement”** has the meaning set forth in the introductory paragraph of this Agreement.

**“All Receipts Trust Fund”** means the trust fund created by the Trustee pursuant to Section 4.1 of this Agreement.

**“Applicable Monthly Statement Date”** has the meaning set forth in Section 2.1.

**“Baseline Trust Fund”** means the trust fund created by the Trustee pursuant to Section 3.1 of this Agreement.

**“Business Day”** means any day other than (i) a Saturday, Sunday or legal holiday on which banking institutions in Detroit, Michigan or the designated corporate trust office of the Trustee is located are authorized by law to close, or (ii) a day on which the New York Stock Exchange or the Federal Reserve Bank is closed.

**“City”** has the meaning set forth in the introductory paragraph of this Agreement.

**“Conversion Date”** means the date on which the Trustee mails the Notice of Second Failure to Deposit in the Baseline Trust Agreement together with Notice of Conversion to All Receipts Trust Agreement, pursuant to Section 3.5.

**“Effective Date”** has the meaning set forth in the introductory paragraph of this Agreement.

**“First Instance of Failure to Deposit”** has the meaning set forth in Section 3.4 hereof.

**“GCDC”** has the meaning set forth in the introductory paragraph of this Agreement.

**“GLWA”** has the meaning set forth in the introductory paragraph of this Agreement.

**“GCDC Pass-Through Charge”** means the monthly service charge that is billed from GCDC to GLWA under the terms of the Reciprocal Backup Water Service Contract, and the monthly service charge is assessed on a direct pass through basis from GLWA to the City pursuant to Water Service Contract.

**“KWA”** has the meaning set forth in the introductory paragraph of this Agreement.

**“KWA Bonds”** means, collectively, the Series 2014 Bonds, the Series 2016 Bonds and any bonds hereafter issued by KWA pursuant to the KWA Financing Contract (including any future supplement or amendment thereto) to refund, directly or indirectly through a series of refundings, all or any portion of the outstanding Series 2014 Bonds or Series 2016 Bonds.

**“KWA Designated Debt Service”** means the sum of (1) the City’s share of the debt service on the KWA Bonds required to be paid by the City under the KWA Financing Contract, which amount (a) is required to be paid by the City to KWA on a monthly basis pursuant to the Attachment entitled “Cost Calculation Methodology per Unit for KWA Debt Service – All Payments are Estimated” to the First Addendum dated March 6, 2014 to the Raw Water Supply Contract, and (b) is subject to adjustment as described in Section 2.07 of the Raw Water Supply Contract and the Attachment entitled “Cost Calculation Methodology per Unit for KWA Debt Service – All Payments are Estimated” to the First Addendum dated March 6, 2014 to the Raw Water Supply Contract, (2) the City’s share of the annual transfer agent fees with respect to the KWA Bonds, and (3) in the event the failure of the City to pay its share of debt service on the KWA Bonds as required by the KWA Financing Contract results in a draw on any debt service reserve fund for the KWA Bonds, and the City is obligated to replenish such debt service reserve fund pursuant to the terms of Exhibit B of the KWA Financing Contract, then any such payments required to be paid by the City to KWA to replenish such debt service reserve fund. For the avoidance of doubt, the City’s share of the debt service on the KWA Bonds required to be paid by the City pursuant to the KWA Financing Contract as described in clause (1) of this definition includes the City’s share of the debt service on the “Intake Bonds” as provided in the Raw Water Supply Contract, which are the \$35,000,000 original principal amount Water Supply System Revenue Bonds (Limited Tax General Obligation), Series 2013, issued by the County of Genesee and dated October 3, 2013.



**“KWA Financing Contract”** means the Karegnondi Water Authority Financing Contract among KWA, the City and the County of Genesee, dated as of August 1, 2013, as the same may be supplemented or amended from time to time.

**“Monthly Due Date”** means the 30<sup>th</sup> day of each month immediately following the month in which the Applicable Monthly Statement Date occurs except for the month of February, in which case the Monthly Due Date is the last day of the month of February. For example, the Applicable Monthly Statement Date for water supplied in January would be February 20 and the Monthly Due Date for such payment would be March 30.

**“Party” and “Parties”** have the meanings set forth in the introductory paragraph of this Agreement.

**“Raw Water Supply Contract”** means the Raw Water Supply Contract between the City and KWA, dated as of June 28, 2013, as amended by the First Addendum thereto dated March 6, 2014, and as amended by the Second Addendum thereto dated as of the date of this Agreement.

**“Reciprocal Backup Water Service Contract”** means the Reciprocal Backup Water Service Contract between GLWA and GCDC, dated the date of this Agreement, pursuant to which certain backup water services are provided.

**“Series 2014 Bonds”** means the \$220,500,000 original principal amount Water Supply System Bonds (Karegnondi Water Pipeline), Series 2014A, issued by KWA pursuant to the KWA Financing Contract.

**“Series 2016 Bonds”** means the \$74,370,000 original principal amount Water Supply System Bonds (Karegnondi Water Pipeline), Series 2016, issued by KWA pursuant to the KWA Financing Contract.

**“Trustee”** has the meaning set forth in the introductory paragraph of this Agreement.

**“Underlying Contracts”** means, collectively, the Water Service Contract, the KWA Financing Contract, the Raw Water Supply Contract and the Reciprocal Backup Water Service Contract.

**“Water Service Contract”** means the Water Service Contract between the City and GLWA, dated the date of this Agreement, pursuant to which GLWA supplies potable water to the City.

## ARTICLE II

### PAYMENT TERMS ON THE UNDERLYING CONTRACTS

**Section 2.1 Payments Due under the Underlying Contracts.** The City's obligations under the Underlying Contracts include the obligations to make payments as follows:

(a) The monthly payments under the Water Service Contract vary from month to month based on, among other factors, the amount of water supplied by GLWA to the City and the GCDC Pass-Through Charge. GLWA agrees to provide a monthly statement to the City by no later than the 20<sup>th</sup> day of the calendar month following the applicable month in which the water was supplied (each such date, the "Applicable Monthly Statement Date") and the City agrees to pay such amount prior to the respective Monthly Due Date, subject to Section 12.02 of the Water Service Contract. Each such monthly statement shall provide for a credit equal to (i) the payment, if any, actually made by the Trustee to GCDC for the GCDC Pass-Through Charge reflected on such monthly statement, and (ii) the payment, if any, actually made by the Trustee to KWA for debt service on the KWA Bonds on the Monthly Due Date, as reflected on Schedule 1.

(b) The monthly payments for the KWA Designated Debt Service are fixed amounts based on the City's share of the debt service on the KWA Bonds. Set forth on Schedule 1 are the monthly installments the City has agreed to pay for the KWA Designated Debt Service, and the respective Monthly Due Dates for such payments. Within thirty (30) days following the issuance by KWA of any series of KWA Bonds for the purpose of refunding any then outstanding KWA Bonds, KWA shall deliver to the Parties a revised Schedule 1 reflecting the monthly installments the City is obligated to pay for KWA Designated Debt Service, (after taking into account the refunding), whereupon Schedule 1 shall be deemed to be amended in accordance therewith. Additionally, in the event that the failure of the City to pay its share of debt service on the KWA Bonds as required by the KWA Financing Contract results in a draw on any debt service reserve fund for the KWA Bonds, and the City is obligated to replenish such debt service reserve fund pursuant to the terms of Exhibit B of the KWA Financing Contract, then KWA shall deliver to the Parties an amendment to Schedule 1 that shall set forth any additional payments required to be made by the City to KWA to replenish such debt service reserve fund, whereupon Schedule 1 shall be deemed to be amended in accordance therewith.

(c) The GCDC Pass-Through Charges vary from month to month based on, among other factors, the volume of water provided by GCDC to the City. GCDC agrees to provide a monthly statement to the City and GLWA of the GCDC Pass-Through Charge by no later than the 15<sup>th</sup> day of the calendar month following the applicable month in which the water was supplied.

**Section 2.2 Notification to Trustee and other Parties of Monthly Amounts Due.** GLWA agrees to provide written notice to the Trustee, KWA and GCDC of the monthly amount due under the Water Service Contract, as set forth on the invoice provided to the City on the Applicable Monthly Statement Date, at the same time that notice of such is provided to the City. GCDC agrees to provide written notice to the Trustee and KWA of the GCDC Pass-Through Charge at the same time that notice of such is provided to the City and GLWA.

## ARTICLE III

### BASELINE TRUST AGREEMENT

**Section 3.1 Establishment of Baseline Trust Fund.** The Trustee shall establish on its books the Baseline Trust Fund. Such trust fund shall be held by the Trustee for the benefit of the City, GLWA, KWA and GCDC. All payments made to the Trustee pursuant to Section 3.2 shall be deposited in the Baseline Trust Fund.

**Section 3.2 Payment by the City to the Trustee of Aggregate Monthly Amounts Due.** The City shall pay to the Trustee, three Business Days prior to each Monthly Due Date, an amount equal to the Aggregate Monthly Amount Due. The amounts required to be paid to the Trustee pursuant to this section shall be transmitted via wire transfer to the Trustee pursuant to the wire transfer instructions set forth in Part A of Schedule 2.

**Section 3.3 Payment by the Trustee to GLWA, KWA AND GCDC.** The Trustee shall use the amounts deposited pursuant to Section 3.2 in the Baseline Trust Fund to pay GLWA, KWA and GCDC on the Monthly Due Date the monthly amounts due to GLWA and KWA in accordance with Section 2.1 and to pay to GCDC the applicable GCDC Pass-Through Charge. Payments shall be made pursuant to the wire transfer instructions set forth in Parts B, C and D of Schedule 2. In the event that the amount deposited pursuant to Section 3.2 is less than the Aggregate Monthly Amount Due, the Trustee shall use the amount on deposit in the Baseline Trust Fund to pay GLWA, KWA and GCDC on a pro-rata basis based on the total amounts due to GLWA, KWA and GCDC on that Monthly Due Date. In the event that the amount deposited pursuant to Section 3.2 is more than the sum of the Aggregate Monthly Amount Due, the Trustee shall refund the excess to the City.

**Section 3.4 First Instance of the Failure of the City to Deposit with the Trustee the Aggregate Monthly Amount Due.** If the City has not deposited with the Trustee the Aggregate Monthly Amount Due by 10:00 a.m., Eastern Time, on the respective Monthly Due Date, the Trustee shall, immediately upon the first instance of such failure (the "First Instance of Failure to Deposit"), send to all of the Parties a Notice of First Failure to Deposit in the Baseline Trust Agreement, the form of which is set forth in Schedule 3.

**Section 3.5 Second Instance of the Failure of the City to Deposit with the Trustee the Aggregate Monthly Amount Due.** If during the term of this Agreement, the City (i) fails to cure the First Instance of Failure to Deposit within sixty (60) days of the First Instance of Failure to Deposit, or (ii) fails on a second occasion to deposit with the Trustee the Aggregate Monthly Amount Due by 10:00 a.m., Eastern Time, on the respective Monthly Due Date, then the Trustee shall send to all of the Parties a Notice of Second Failure to Deposit in the Baseline Trust

Agreement together with Notice of Conversion to All Receipts Trust Agreement, the form of which is set forth in Schedule 4.

**Section 3.6 Monthly Statement.** At all times prior to the Conversion Date, the Trustee shall provide all Parties, within five Business Days of the end of each calendar month, a statement showing all deposits to and payments from the Baseline Trust Fund.

## ARTICLE IV

### ALL RECEIPTS TRUST AGREEMENT

**Section 4.1 Establishment of All Receipts Trust Fund.** Following the Conversion Date, the Trustee shall establish on its books the All Receipts Trust Fund. Such trust fund shall be held by the Trustee for the benefit of the City, GLWA, KWA and GCDC. All payments made to the Trustee pursuant to Section 4.2 shall be deposited in the All Receipts Trust Fund.

**Section 4.2 Deposits to the All Receipts Trust Fund.** On the date of this Agreement, the City shall establish and keep in existence a new deposit account with one of its primary banking institutions entitled "Flint All Receipts Receiving Account" and such banking institution, the City and the Trustee shall enter into an Account Control Agreement acceptable to the Parties granting the Trustee control over such deposit account and specifying the manner in which the Trustee may access funds under such account.

Within 60 days following the Conversion Date, the City shall provide for all receipts from all of its sewer and water customers to be paid directly to the Trustee and upon receipt by the Trustee such funds shall be deposited in the All Receipts Trust Fund. Additionally, any receipts received by the City from its sewer and water customers during the 60 days following the Conversion Date that are not paid directly to the Trustee shall be deposited by the City into the Flint All Receipts Receiving Account and then paid by the City to the Trustee for deposit in the All Receipts Trust Fund, on a weekly basis, and such weekly transfer shall be made on the Thursday of each week, except that if any given Thursday falls on a day that is not a Business Day, then on the first Business Day thereafter.

If after such 60 day period, notwithstanding the above, the City receives any such payments from its sewer and water customers, the City shall deposit such payments into the Flint All Receipts Receiving Account and thereafter shall be paid by the City to the Trustee for deposit in the All Receipts Trust Fund, on a weekly basis, and such weekly transfer shall be made on the Thursday of each week, except that if any given Thursday falls on a day that is not a Business Day, then on the first Business Day thereafter.

At least five (5) business days prior to each Monthly Due Date following the Conversion Date, the City shall provide a statement to the Trustee, GLWA, KWA and GCDC of the amount of money in the All Receipts Trust Fund received from payments on invoices (including the allocable share of any penalties or fines paid with respect to such invoices) from the City's sanitary sewer system enterprise fund. Within twenty (20) calendar days following the Conversion Date, the Parties shall agree on a methodology for how the Trustee shall notify the City of receipts into the All Receipts Trust Fund and how the City shall determine the amount of

such receipts allocable to its sanitary sewer system enterprise fund, provided that such allocation shall be based on the same methodology that that the City uses as of the Effective Date to allocate receipts between its sanitary sewer system enterprise fund and its water system enterprise fund.

**Section 4.3 Payment by the Trustee from the All Receipts Trust Fund.** On each Monthly Due Date, the Trustee shall use the amounts deposited pursuant to Section 4.2 in the All Receipts Trust Fund to make the following payments, in the following order:

- (a) The amount of money in the All Receipts Trust Fund received from payments on invoices (including the allocable share of any penalties or fines paid with respect to such invoices) from the City's sanitary sewer system shall be transferred to the City, for deposit in the City's sanitary sewer system enterprise fund or as otherwise directed in writing by the City;
- (b) Next, remaining amounts in the All Receipts Trust Fund shall be used to pay GLWA, KWA and GCDC the monthly amounts due to GLWA, KWA and GCDC on that Monthly Due Date in accordance with Section 2.1;
- (c) Any remaining amounts after the transfers set forth in (a) and (b) above shall be transferred to or at the direction of the City, for deposit in the City's water system enterprise fund or as otherwise directed in writing by the City;
- (d) In the event that after the transfer required by (a) above, there are not sufficient funds to pay the amounts due in (b) above, then all available funds after the transfer in (a) shall be used to pay GLWA, KWA and GCDC on a pro-rata basis based on the total amounts due to GLWA, KWA and GCDC on that Monthly Due Date, including any amounts due as a result of insufficient payments on prior Monthly Due Dates.

**Section 4.4 Monthly Statement.** At all times following the Conversion Date, the Trustee shall provide all Parties, within five Business Days of the end of each calendar month, a statement showing all deposits to and payments from the All Receipts Trust Fund.

**Section 4.5 Reestablishment of Baseline Trust Agreement.** On the six year anniversary date of the Conversion Date, the City, GLWA, KWA and GCDC may, by mutual written consent, which consent is subject to the sole discretion of each such Party, provide for the reestablishment of the Baseline Trust Fund to replace the All Receipts Trust Fund. Any such written consent shall be in a written agreement that sets forth the mechanics for the reestablishment of the Baseline Trust Fund.

## **ARTICLE V**

### **PROVISIONS REGARDING THE TRUSTEE**

**Section 5.1 Acceptance of Trusts.** The Trustee hereby accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article V, to all of which the City, GLWA and KWA agree.

**Section 5.2 No Responsibility for Recitals.** The Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of the recitals, statements or representations made in this Agreement.

**Section 5.3 Limitations on Liability.** The Trustee undertakes to perform only such duties as are expressly set forth herein and no duties shall be implied. The Trustee has no fiduciary or discretionary duties of any kind. The Trustee's permissive rights shall not be construed as duties. The Trustee shall have no liability under and no duty to inquire as to the provisions of any document other than this Agreement, including without limitation any other agreement between any or all of the parties hereto or any other persons even though reference thereto may be made herein and whether or not a copy of such document has been provided to the Trustee.

The Trustee may execute any of the powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder and shall incur no liability whatsoever for actions taken in good faith and in accordance with the advice of such counsel. The Trustee shall not be answerable for the exercise of any discretion or power under this Agreement or for anything whatsoever in connection with the trust created hereby, except only for its own gross negligence, fraud or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, special, consequential or punitive damages or penalties of any kind (including, but not limited to lost profits), even if the Trustee has been advised of the likelihood of such damages or penalty and regardless of the form of action.

The Trustee shall not be liable for any error of judgment made in good faith by any of its directors, officers, employees or agents, unless it shall be established that the Trustee engaged in gross negligence, fraud or willful misconduct in ascertaining the pertinent facts.

The Trustee shall be protected in acting upon opinions of counsel and upon any notice, request, consent, certificate, order, affidavit, letter, or other paper or document (including electronic transmissions) believed to be genuine and correct and to have been signed or sent by an authorized representative of such person or persons.

All moneys received by the Trustee, until used or applied or invested as herein provided, shall be held as special trust funds for the purposes specified in this Agreement. Such moneys need not be segregated from other funds except to the extent required by law or herein provided, and the Trustee shall not otherwise be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

The Trustee shall not be obligated to take any legal action in connection with this Agreement or any other matter or to appear in, prosecute or defend any such legal action. No provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

**Section 5.4 Compensation, Expenses, Advances and Indemnification.** The Trustee shall be entitled to such compensation for services as shall be agreed upon by the Parties hereto and, absent such agreement, to reasonable compensation for its services rendered hereunder, including expenses, charges, disbursements, extraordinary time and services (not limited by any provision of law in regard to the compensation of the trustee of an express trust) and to reimbursement promptly for its actual out-of-pocket expenses (including fees and expenses of counsel, accountants, consultants and other experts, agent fees and expenses and Trustee's costs of enforcement of this Section 5.4) reasonably incurred in connection with the Trustee's services or any claim asserted against the Trustee by any Party hereto or any other person or entity in connection with this Agreement, except to the extent determined by a court of competent jurisdiction to have been directly caused by the Trustee's gross negligence, fraud or willful misconduct. In no event will the Trustee look to the moneys in the Baseline Trust Fund or the All Receipts Trust Fund for compensation for its services or expenses.

**Section 5.5 Good Faith Reliance.** The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice (including telephonic notice), email, or facsimile transmission, request, consent, waiver, certificate, statement, affidavit, voucher, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of this Agreement or upon the written opinion of any attorney, engineer, accountant or other expert believed by the Trustee, to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

**Section 5.6 Resignation and Removal of Trustee.** The Trustee may resign and be discharged of the trusts created by this Agreement by executing an instrument in writing resigning such trust and specifying the date when such resignation shall take effect, and filing the same with the Parties hereto not less than 45 calendar days before the date specified in such instrument when such resignation shall take effect. Such resignation shall take effect on the day specified in such instrument and notice, unless previously a successor Trustee shall have been appointed by the Parties, in which event such resignation shall take effect immediately upon the appointment of such successor Trustee. Notwithstanding the above, such resignation shall not be effective until a successor Trustee has assumed the Trustee's duties hereunder. The Trustee may be removed with the prior written consent of GLWA, KWA, GCDC and the City upon 30 calendar days' prior written notice, provided that at the effective time of removal a successor Trustee has been appointed by such Parties and the successor Trustee has assumed the Trustee's duties hereunder.

**Section 5.7 Successor Trustee.** Any successor Trustee shall be a corporation or association organized and doing business under the laws of the United States or the State of Michigan, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to the supervision or examination by federal or state authority. Any successor Trustee shall execute, acknowledge and deliver to the Parties and the Trustee an instrument accepting such appointment hereunder, and the Trustee

shall immediately execute and deliver an instrument transferring to such successor Trustee, subject to the terms of this Agreement, all the rights, powers and trusts of the Trustee hereunder.

**Section 5.8 Successor by Merger or Consolidation.** Any corporation into which any Trustee hereunder may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor Trustee under this Agreement, without the execution or filing of any paper or any further act on the part of the parties hereto, anything in this Agreement to the contrary notwithstanding.

**Section 5.9 Force Majeure.** In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

**Section 5.10 Permitted Investments.** Moneys in the Baseline Trust Fund and the All Receipts Trust Fund shall be invested by the Trustee in the following investment fund maintained by the Trustee: First American Funds Government Obligation Fund. In the event such fund is not offered by the Trustee in the future, then such moneys shall be invested as may be jointly directed in writing by the City, GLWA, KWA and GCDC.

The other Parties recognize and agree that the Trustee will not provide supervision, recommendations or advice relating to either the investment of funds or the purchase or disposition of any investment and the Trustee shall not have any liability for any loss in an investment made pursuant to the terms of this Agreement. The Trustee has no responsibility whatsoever to determine the market or other value of any investment and makes no representation or warranty as to the accuracy of any such valuations. To the extent applicable regulations grant rights to receive brokerage confirmations for certain security transactions, the City, GLWA, KWA and GCDC waive receipt of such confirmations.

The Trustee may elect, but shall not be obligated, to credit the Baseline Trust Fund and/or the All Receipts Trust Fund with funds representing income or principal payments due on, or sales proceeds due in respect of, assets in the Baseline Trust Fund and/or the All Receipts Trust Fund, or to credit to the Baseline Trust Fund and/or the All Receipts Trust Fund assets intended to be purchased with such funds, in each case before actually receiving the requisite funds from the payment source, or to otherwise advance funds for Baseline Trust Fund and/or All Receipts Trust Fund transactions. The City, GLWA, KWA and GCDC acknowledge that the trust's legal obligation to pay the purchase price of any assets arises immediately at the time of the purchase. Notwithstanding anything else in this Agreement, (i) any such crediting of funds or assets shall be provisional in nature, and the Trustee shall be authorized to reverse or offset any such transactions or advances of funds in the event that it does not receive good funds with respect



thereto, and (ii) nothing in this Agreement shall constitute a waiver of any of the Trustee's rights as a securities intermediary under Uniform Commercial Code §9-206.

## ARTICLE VI

### GENERAL TERMS

**Section 6.1 Term of the Agreement.** This Agreement will be in effect as of the Effective Date and shall continue in effect until no amounts are due pursuant to the Underlying Contracts. Notwithstanding the foregoing, the parties agree that at such time that no further amounts are due under the KWA Financing Contract and the Raw Water Supply Contract for debt service related to the KWA Bonds, then the City, GLWA, KWA and GCDC may, by mutual written consent, which consent is subject to the sole discretion of each such Party, terminate this Agreement.

**Section 6.2 Potential Payments from the State Treasurer to KWA on Behalf of the City.** Any payments by the State Treasurer to KWA on behalf of the City pursuant to Section 10 of the KWA Financing Contract shall be applied to past due KWA Designated Debt Service payments and the City shall notify the Trustee, GLWA, KWA and GCDC that such payments have been applied to such past due KWA Designated Debt Service payments.

**Section 6.3 Notices.** Any notice to be given in connection with any of the terms or provisions of this Agreement shall be in writing and be given in person, by delivery service, by facsimile transmission, or by mail, and shall become effective (a) on delivery if given in person, (b) on the date of delivery if sent by delivery service, (c) on the date of delivery if sent by facsimile transmission or other similar unsecured electronic methods, or (d) five Business Days after being deposited in the mail, with proper postage for first class registered or certified mail, prepaid.

Until notified in writing by the appropriate Party of a change to a different address, notices shall be addressed as follows:

- (i) if to the City:

Mayor  
City of Flint  
1101 S. Saginaw Street  
Flint, Michigan 48502

Attention: City Attorney

- (ii) if to the GLWA:

Great Lakes Water Authority  
735 Randolph Street, Suite 1901  
Detroit, Michigan 48226

Attention: General Counsel

(iii) if to the KWA:

Karegnondi Water Authority  
G-4610 Beecher Road  
Flint, Michigan 48532

Attention: Chief Executive Officer

(iv) if to the GCDC:

Genesee County Drain Commissioner  
Division of Water and Waste Services  
G-4610 Beecher Road  
Flint, Michigan 48532

Attention: Drain Commissioner

(v) if to the Trustee:

U.S. Bank National Association  
535 Griswold Street, Suite 550  
Detroit, Michigan 48226

Attention: Global Corporate Trust Service

**Section 6.4 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan.

**Section 6.5 Amendments.** This Agreement may be amended or revised only by a written agreement signed by all of the Parties hereto.

**Section 6.6 Counterparts.** This Agreement may be executed in one or more counterparts, all of which shall be deemed to be one and the same document. When all Parties hereto have executed at least one counterpart, this Agreement shall be binding on all the Parties hereto.

**Section 6.7 Binding Effect; Assignment.** This Agreement shall be binding upon the Parties to this Agreement and upon their respective successors. No Party to this Agreement may assign this Agreement without the prior written consent of the other Parties to this Agreement.

**Section 6.8 Entire Agreement.** This Agreement, including the schedule and exhibits hereto (which are incorporated herein by reference), embodies the entire Agreement and understanding between the Parties as to the matters addressed in this Agreement.

**Section 6.9 Continuing Effectiveness of Underlying Contracts.** The City and each of the other Parties hereto acknowledge and agree that nothing contained in this Agreement constitutes or is intended to constitute a modification, amendment or waiver of any of the Underlying Contracts, or of any term or provision of any of the Underlying Contracts, each of

which shall remain in full force and effect in accordance with the terms thereof and shall be enforceable by the applicable Parties thereto in accordance with the terms thereof.

**Section 6.10 Parties in Interest.** Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give any person or entity, other than the Parties, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Agreement shall be for the sole and exclusive benefit of the Parties.

**Section 6.11 Representations and Warranties.** The City, GLWA, KWA and GCDC each respectively make the following representations and warranties to the Trustee:

(a) It has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and this Agreement has been duly approved by all necessary action and constitutes its valid and binding agreement enforceable in accordance with its terms.

(b) Each of the applicable persons designated on Schedule 5 attached hereto has been duly appointed to act as its authorized representative hereunder and individually has full power and authority on its behalf to execute and deliver any instruction or direction, to amend, modify or waive any provision of this Agreement and to take any and all other actions as its authorized representative under this Agreement and no change in designation of such authorized representatives shall be effective until written notice of such change is delivered to each other Party to this Agreement pursuant to Section 6.3 and the Trustee has had reasonable time to act upon it.

**Section 6.12 Security Measures.** In the event instructions, including funds transfer instructions, address change or change in contact information are given to the Trustee (other than in writing at the time of execution of this Agreement), whether in writing, by facsimile or otherwise, the Trustee is authorized but shall not be required to seek confirmation of such instructions by telephone call-back to the applicable person or persons designated on Schedule 5 hereto, and the Trustee may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in writing actually received and acknowledged by the Trustee and shall be effective only after the Trustee has a reasonable opportunity to act on such changes. The Parties agree that the Trustee may at its option record any telephone calls made pursuant to this Section. The Trustee in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by the beneficiary to identify (a) the beneficiary, (b) the beneficiary's bank, or (c) an intermediary bank, even when its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank or an intermediary bank so designated. The Parties acknowledge that these optional security procedures are commercially reasonable.

**Section 6.13 Suspension of Performance; Disbursement into Court.** If, at any time, (a) a dispute exists with respect to any obligation of the Trustee hereunder, (b) the Trustee is unable to determine, to the Trustee's sole satisfaction, the Trustee's proper actions with respect to its obligations hereunder, or (c) the other Parties have not, within 30 days of receipt of a notice

of resignation, appointed a successor the Trustee to act hereunder, then the Trustee may, in its sole discretion, take either or both of the following actions:

(i) Suspend the performance of any of its obligations (including without limitation any disbursement obligations) under this Agreement until such dispute or uncertainty shall be resolved to the sole satisfaction of the Trustee or until a successor the Trustee shall have been appointed.

(ii) Petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction, in any venue convenient to the Trustee, for instructions with respect to such dispute or uncertainty and, to the extent required or permitted by law, pay into such court, for holding and disposition in accordance with the instructions of such court, all funds held hereunder, after deduction and payment to the Trustee of all fees and expenses (including court costs and attorneys' fees) payable to, incurred by, or expected to be incurred by the Trustee in connection with the performance of its duties and the exercise of its rights hereunder.

The Trustee shall have no liability to the other Parties for suspension of performance or disbursement into court, specifically including any liability or claimed liability that may arise due to any delay in any other action required or requested of the Trustee.

[Remainder of page intentionally left blank]

\* \* \* \* \*

Accordingly, the City, GLWA, KWA and the Trustee by and through their duly authorized officers and representatives, have executed this Agreement.

**City of Flint:**

By: \_\_\_\_\_  
Karen Weaver  
Mayor

By: \_\_\_\_\_  
Sylvester Jones, Jr.  
City Administrator

Attest:

By: \_\_\_\_\_  
Inez Brown  
City Clerk

Approved by  
Flint City Council on:

\_\_\_\_\_ Date

Approved as to Form by  
Flint City Attorney on:

\_\_\_\_\_ Date  
Signature

**Great Lakes Water Authority:**

By: \_\_\_\_\_

Sue F. McCormick

Its: Chief Executive Officer

Approved by  
GLWA Board of Directors on:

\_\_\_\_\_  
Date

Approved as to Form by  
GLWA General Counsel on:

\_\_\_\_\_  
Signature Date

**Karegnondi Water Authority:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Approved by  
KWA Board of Directors on:

\_\_\_\_\_  
Date

Approved as to Form by  
KWA General Counsel on:

\_\_\_\_\_  
Signature Date

**GCDC:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Approved as to Form by  
GCDC General Counsel on:

\_\_\_\_\_  
Signature Date

**U.S. Bank National Association, as Trustee:**

5

By: \_\_\_\_\_

Its: \_\_\_\_\_

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Schedule 1

Monthly Amounts Due under KWA Financing Contract  
and respective Monthly Due Date

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The KWA Designated Debt Service monthly payments shall be made on each Monthly Due Date. Pursuant to the Trust Agreement, the Monthly Due Date is the 30<sup>th</sup> day of each month, except for the month of February, in which case the Monthly Due Date is the last day of the month of February.

The column entitled "Flint Portion" under the heading "Total Payments due from GCDC and City of Flint" on the attached spreadsheet sets forth the KWA Designated Debt Service monthly payments due from Flint to KWA. The "Payment Billing Period" on such spreadsheet is October through September of the following year. Accordingly the October monthly payment shall be due on the October 30 Monthly Due Date, and likewise each monthly payment thereafter shall be due on the 30<sup>th</sup> day of the month, with the September monthly payment being due on the September 30 Monthly Due Date.



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Schedule 2

Wire Instructions for Payments

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Part A: Wire Instructions to the Trustee  
**[To Be Added]**

Part B: Wire Instructions to GLWA  
US Bank ABA #: 042000013  
Account #: 130121405893  
Attn: GLWA WATER

Part C: Wire Instructions to KWA  
**[To Be Added]**

Part D: Wire Instructions to GCDC  
**[To Be Added]**

Part E: Wire Instructions to the City  
**[To Be Added]**

Any Party can change its wire instructions set forth above by following the Notice provisions in Article VI of this Agreement.

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Schedule 3  
Form of  
Notice of First Failure to Deposit in the Baseline Trust Agreement

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**Notice of First Failure to Deposit in the Baseline Trust Agreement**

This Notice of First Failure to Deposit in the Baseline Trust Agreement (the “Notice”) is dated \_\_\_\_\_, 20\_\_\_, and is provided by U.S. Bank National Association, as Trustee to the Parties identified in Section 3 below.

R E C I T A L S

WHEREAS, the City of Flint, a Michigan municipality (the “City”), the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended (“GLWA”), the Karegnondi Water Authority, a Michigan municipal authority and public body corporate organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended (“KWA”), the Genesee County Drain Commissioner, as the designated County Agency for the County of Genesee, Michigan, pursuant to the provisions of Act 342, Public Acts of Michigan, 1939, as amended (“GCDC”) and U.S. Bank National Association, as Trustee, (the “Trustee”) entered into the Baseline and All Receipt Trust Agreement dated as of \_\_\_\_\_, 2017 (the “Trust Agreement”);

WHEREAS, Section 3.4 of the Trust Agreement provides as follows:

If the City has not deposited with the Trustee the Aggregate Monthly Amount Due by 10:00 a.m., Eastern Time, on the respective Monthly Due Date, the Trustee shall, immediately upon the first instance of such failure (the “First Instance of Failure to Deposit”), send to all of the Parties a Notice of First Failure to Deposit in the Baseline Trust Agreement, the form of which is set forth in Schedule 3;

WHEREAS, all capitalized terms used in this Notice and not otherwise defined shall have the meanings as assigned to such terms in the Trust Agreement;

NOW, THEREFORE, the Trustee provides the following Notice:

1. Failure of the City to Deposit the Aggregate Amount Due. As of 10:00 a.m., Eastern Time, on \_\_\_\_\_, 20\_\_\_, the City had not deposited with the Trustee the Aggregate Monthly Amount Due on such date.

2. Notice of First Failure to Deposit in the Baseline Trust Agreement. As a result of the failure to timely deposit the Aggregate Monthly Amount Due, as referenced in Paragraph No. 1 above, by the time and date reference in Paragraph No. 1 above, the Trustee is hereby providing this Notice to the Parties.

3. Addresses for Notice Purposes. On the date of this Notice, the Trustee has deposited in the U.S. Mail, postage prepaid, signed copies of this Notice and addressed to each Party at the following addresses:

(i) The City:

Mayor  
City of Flint  
1101 S. Saginaw Street  
Flint, Michigan 48502  
Attention: City Attorney

(ii) GLWA:

Great Lakes Water Authority  
735 Randolph Street, Suite 1901  
Detroit, Michigan 48226  
Attention: General Counsel

(iii) KWA:

Karegnondi Water Authority  
G-4610 Beecher Road  
Flint, Michigan 48532  
Attention: Chief Executive Officer

(iv) GCDC:

Genesee County Drain Commissioner  
Division of Water and Waste Services  
G-4610 Beecher Road  
Flint, Michigan 48532  
Attention: Drain Commissioner

4. Duly Authorized Signature. This Notice has been signed by a duly authorized officer of the Trustee for and on behalf of the Trustee.

U.S. Bank National Association

By: \_\_\_\_\_

Its: \_\_\_\_\_

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Schedule 4

Form of  
Notice of Second Failure to Deposit in the Baseline Trust Agreement  
together with Notice of Conversion to All Receipts Trust Agreement

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**Notice of Second Failure to Deposit in the Baseline Trust Agreement  
together with Notice of Conversion to All Receipts Trust Agreement**

This Notice of Second Failure to Deposit in the Baseline Trust Agreement together with Notice of Conversion to All Receipts Trust Agreement (the “Notice”) is dated \_\_\_\_\_, 20\_\_\_, and is provided by U.S. Bank National Association, as Trustee to the Parties identified in Section 3 below.

R E C I T A L S

WHEREAS, the City of Flint, a Michigan municipality (the “City”), the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended (“GLWA”), the Karegnondi Water Authority, a Michigan municipal authority and public body corporate organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended (“KWA”), the Genesee County Drain Commissioner, as the designated County Agency for the County of Genesee, Michigan, pursuant to the provisions of Act 342, Public Acts of Michigan, 1939, as amended (“GCDC”) and U.S. Bank National Association, as Trustee, (the “Trustee”) entered into the Baseline and All Receipt Trust Agreement dated as of \_\_\_\_\_, 2017 (the “Trust Agreement”);

WHEREAS, Section 3.4 of the Trust Agreement provides as follows:

If the City has not deposited with the Trustee the Aggregate Monthly Amount Due by 10:00 a.m., Eastern Time, on the respective Monthly Due Date, the Trustee shall, immediately upon the first instance of such failure (the “First Instance of Failure to Deposit”), send to all of the Parties a Notice of First Failure to Deposit in the Baseline Trust Agreement, the form of which is set forth in Schedule 3;

WHEREAS, on \_\_\_\_\_, 20\_\_\_, the Trustee sent to the Parties the Notice of First Failure to Deposit in the Baseline Trust Agreement;

WHEREAS, Section 3.5 of the Trust Agreement provides as follows:

If during the term of this Agreement, the City (i) fails to cure the First Instance of Failure to Deposit within sixty (60) days of the First Instance of Failure to Deposit, or (ii) fails on a second occasion to deposit with the Trustee the Aggregate Monthly Amount Due by 10:00 a.m., Eastern Time, on the respective Monthly Due Date, then the Trustee shall send to all of the Parties a Notice of Second Failure to Deposit in the Baseline Trust Agreement together with Notice of Conversion to All Receipts Trust Agreement, the form of which is set forth in Schedule 4.

WHEREAS, all capitalized terms used in this Notice and not otherwise defined shall have the meanings as assigned to such terms in the Trust Agreement;

NOW, THEREFORE, the Trustee provides the following Notice:

1. Failure of the City to Deposit the Aggregate Amount Due. As of 10:00 a.m., Eastern Time, on \_\_\_\_\_ 30, 20\_\_, the City had not deposited with the Trustee the Aggregate Monthly Amount Due on such date. [Alternative: As of \_\_\_\_\_, 20\_\_, the City has failed to cure the First Instance of Failure to Deposit within sixty (60) days of the First Instance of Failure to Deposit.]

2. Notice of Second Failure to Deposit in the Baseline Trust Agreement. As a result of the failure to timely deposit the Aggregate Monthly Amount Due, as referenced in Paragraph No. 1 above, by the time and date reference in Paragraph No. 1 above, the Trustee is hereby providing this Notice to the Parties.

3. Conversion Date. Pursuant to the Trust Agreement, the Conversion Date is the date of this Notice, which is \_\_\_\_\_, 20\_\_.

4. Establishment of All Receipts Trust Fund. As of the date of this Notice, and in accordance with Section 4.1 of the Trust Agreement, the Trustee has established on its books the All Receipts Trust Fund.

5. Compliance with Article IV of the Trust Agreement. The terms of Article IV of the Trust Agreement are operational as of the Conversion Date, and the City is directed to follow the procedures set forth in Section 4.2 of the Trust Agreement and the Trustee shall make payments as directed in Section 4.3 of the Trust Agreement.

6. Addresses for Notice Purposes. On the date of this Notice, the Trustee has deposited in the U.S. Mail, postage prepaid, signed copies of this Notice and addressed to each Party at the following addresses:

(i) The City:

Mayor  
City of Flint  
1101 S. Saginaw Street  
Flint, Michigan 48502  
Attention: City Attorney

(ii) GLWA:

Great Lakes Water Authority  
735 Randolph Street, Suite 1901  
Detroit, Michigan 48226  
Attention: General Counsel

(iii) KWA:

Karegnondi Water Authority  
G-4610 Beecher Road  
Flint, Michigan 48532  
Attention: Chief Executive Officer

(iv) GCDC:

Genesee County Drain Commissioner  
Division of Water and Waste Services  
G-4610 Beecher Road  
Flint, Michigan 48532  
Attention: Drain Commissioner

4. Duly Authorized Signature. This Notice has been signed by a duly authorized officer of the Trustee for and on behalf of the Trustee.

U.S. Bank National Association

By: \_\_\_\_\_

Its: \_\_\_\_\_



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Schedule 5

Authorized Representatives of the Parties

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Each of the following person(s) is a City Representative authorized to execute documents and direct the Trustee as to all matters, including fund transfers, address changes and contact information changes, on the City's behalf (only one signature required):

_____ Name	_____ Specimen signature	_____ Telephone No.
_____ Name	_____ Specimen signature	_____ Telephone No.
_____ Name	_____ Specimen signature	_____ Telephone No.

*(Note: if only one person is identified above, provide the following information)*  
The following person not listed above is authorized for call-back confirmations:

_____ Name	_____ Telephone Number
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Each of the following person(s) is a GLWA Representative authorized to execute documents and direct the Trustee as to all matters, including fund transfers, address changes and contact information changes, on GLWA's behalf (only one signature required):

_____ Name	_____ Specimen signature	_____ Telephone No.
_____ Name	_____ Specimen signature	_____ Telephone No.
_____ Name	_____ Specimen signature	_____ Telephone No.

*(Note: if only one person is identified above, provide the following information)*  
The following person not listed above is authorized for call-back confirmations

_____ Name	_____ Telephone Number
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Each of the following person(s) is a KWA Representative authorized to execute documents and direct the Trustee as to all matters, including fund transfers, address changes and contact information changes, on KWA's behalf (only one signature required):

_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No.

*(Note: if only one person is identified above, provide the following information)*  
The following person not listed above is authorized for call-back confirmations:

_____	_____
Name	Telephone Number

Each of the following person(s) is a GCDC Representative authorized to execute documents and direct the Trustee as to all matters, including fund transfers, address changes and contact information changes, on GCDC's behalf (only one signature required):

_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No.

*(Note: if only one person is identified above, provide the following information)*  
The following person not listed above is authorized for call-back confirmations

_____	_____
Name	Telephone Number

# **EXHIBIT D**

**THREE PARTY AGREEMENT**

This Three Party Agreement ("Agreement") between Karegnondi Water Authority, a municipal authority and public body corporate organized pursuant the provisions of Act 233, Public Acts of Michigan, 1955, as amended, whose address is 4610 Beecher Road, Flint, Michigan 48532, Great Lakes Water Authority, a municipal authority and public body corporate organized pursuant to Act 233, Public Acts of Michigan, 1955, as amended, whose address is 735 Randolph Street, Detroit, Michigan 48226, and the City of Flint, a Michigan municipal corporation, whose address is 1101 South Saginaw Street, Flint, Michigan 48502.

**RECITALS**

**WHEREAS**, in 1964, Detroit and Flint entered into an agreement, as amended, whereby Detroit provided Flint with treated water ("1964 Agreement"). The 1964 Agreement allowed Flint to resell Detroit water to other communities in Genesee County;

**WHEREAS**, in 2010, Flint along with the Counties of Genesee, Lapeer, and Sanilac and the City of Lapeer, formed KWA to, among other things, supply raw water to its Members;

**WHEREAS**, Flint entered into a Raw Water Supply Contract with KWA. In the Raw Water Supply Contract Flint purchased and agreed to finance the construction cost of 18 MGD of capacity in the KWA System. Flint's rights included the right to up to 18 MGD of raw water capacity, delivery of that raw water and its use;

**WHEREAS**, on August 1, 2013, Flint, executed a Financing Contract with KWA and Genesee County in which Flint pledged its full faith and credit to pay for its pro-rata share of the estimated cost of the construction of the KWA System; the construction cost was not to exceed Three Hundred Million Dollars (\$300,000,000). Flint's rights included the right to up to 18 MGD of raw water capacity, delivery of that raw water and its use that are conditioned upon Flint's performance under the Financing Contract;

**WHEREAS**, in April of 2014, pursuant to the Financing Contract, KWA issued Series 2014 Bonds to construct the KWA System ("2014 Bonds");

**WHEREAS**, on April 30, 2014, Flint ceased purchasing water from Detroit;

**WHEREAS**, in April of 2014, Flint began operation of the Flint water treatment plant to treat water from the Flint River while the KWA System was being constructed;

**WHEREAS**, in 2014 and 2015, Flint, MDEQ and the Environmental Protection Agency discovered that the water being provided to Flint residents originating from the Flint River contained levels of lead which threatened their health and safety;

**WHEREAS**, in October of 2015, Detroit contracted with Flint to again provide Flint with treated water and on January 1, 2016, GLWA assumed Detroit's obligation to provide Flint water;

**WHEREAS**, in June of 2016, pursuant to the Financing Contract, KWA issued Series 2016 Bonds to complete the construction of the KWA System;

**WHEREAS**, in April of 2017, the Parties along with GCDC and the State executed a Statement of Principles, which provides in part that GLWA will provide Flint with treated water under the terms of the Flint Contract;

**WHEREAS**, the Parties agree that Flint remains responsible to pay its portion of the Construction Debt;

**WHEREAS**, Flint desires to transfer to GLWA and GLWA desires to accept the transfer of an irrevocable grant of an exclusive license of 18 MGD raw water capacity, delivery of that raw water and its use as more fully described in Article 25 of the of the Flint Contract and the License;

**WHEREAS**, At such time as the Construction Debt is paid in full and is no longer outstanding Flint also desires to transfer to GLWA and GLWA desires to accept the transfer of Flint's remaining interest in 17.46 MGD of Flint's capacity; and

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements herein contained, the Parties agree as follows, to wit:

**ARTICLE I**  
**DEFINITIONS**

The following words and expressions, or pronouns used in their stead, shall be construed as follows:

"Agreement" shall mean each of the various provisions and parts of this document, including all attached Exhibits and any amendments thereto, as may be executed and approved by the Parties hereto.

"Agreement Term" shall have the meaning ascribed in Article II herein.

"Annual Requirement" shall have the same meaning as this term is defined in the Raw Water Supply Contract.

"Capacity Fee" shall have the same meaning as this term is defined in the Raw Water Supply Contract.

"Construction Debt" shall mean the debt associated with the construction of the KWA System as set forth in the Financing Contract and Section 2.07 of the Raw Water Supply Contract, including, but not limited to the 2014 Bonds, 2016 Bonds, and any future refunding of the 2014 Bonds and the 2016 Bonds or any refundings thereof (exclusive of new money components).

"Detroit" shall mean the City of Detroit, a Michigan municipal corporation, located in Wayne County.

"Debt Fund" shall have the same meaning as this term is defined in the Raw Water Supply Contract.

"Effective Date" shall mean the effective date of this Agreement which shall be the Effective Date of the Master Agreement to which this Agreement is attached as Exhibit D.

"Financing Contract" shall mean the Karegnondi Water Authority Financing Contract dated August 1, 2013, between KWA, Flint, and the County of Genesee (as the same maybe amended or supplemented) in which Flint pledged its full faith and credit to pay for its pro-rata share of the estimated cost of the construction of the KWA System; the construction cost was not to exceed Three Hundred Million Dollars (\$300,000,000).

"Flint" shall mean the City of Flint, a Michigan municipal corporation, located in Genesee County.

"Flint Contract" shall mean the Water Service Contract between GLWA and Flint.

"GCDC" shall mean the Genesee County Drain Commissioner, as Michigan county agency, organized pursuant to Act 342, Public Acts of Michigan, 1939, as amended, including its successors in interest.

"GLWA" shall mean the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended, governed by its Board of Directors and its day-to-day operations conducted by its Chief Executive Officer, including its successors in interest.

"KWA" shall mean the Karegnondi Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended, governed by its Board of Directors and its day-to-day operations conducted by its Chief Executive Officer, including its successors in interest.

"KWA Refunding Bonds" means any bonds issued by KWA pursuant to the KWA Financing Contract (including any future supplement or amendment thereto) to refund, directly or indirectly through a series of refundings, all or any portion of the KWA System Bonds.

"KWA System" shall have the same meaning as the term "System" as defined in the Raw Water Supply Contract.

"KWA System Bonds" means, collectively, the Series 2014 Bonds and the Series 2016 Bonds.

"KWA System Improvement Bonds" shall have the same meaning as the term "System Improvement Bonds" as defined in the Raw Water Supply Contract.

"License" shall mean the Irrevocable Assignment of Essential Water Mains and Raw Water Rights by Flint to GLWA that was effective on \_\_\_\_\_, 2017.

"Master Agreement" shall mean the Master Agreement dated \_\_\_\_\_, 2017, between and among Flint, MDEQ, GCDC, GLWA, and the KWA.

"Members" shall have the same meaning as this term is defined in the Raw Water Supply Contract.

"MGD" shall mean One (1) Million Gallons Per Day, U.S. Standard Liquid Measure.

"MDEQ" shall mean the Michigan Department of Environmental Quality.

"New KWA Bonds" means any bonds issued after the Effective Date (as defined in Section 2.01) by KWA for which Flint has agreed or agrees, by contract or otherwise, to pay all or a portion of the debt service on such bonds. For the avoidance of doubt, "New KWA Bonds" does not include the KWA System Bonds or the KWA Refunding Bonds.

"Party" shall mean KWA, GLWA, or Flint individually.

"Parties" shall mean KWA, GLWA, and Flint collectively.

"Point or Points of Delivery" shall mean the point or points in Michigan designated by a Party where raw water from the KWA System will be delivered.

"Raw Water Main" shall have the same meaning as this term is defined in the defined in Article 4 of the Flint Contract.

"Raw Water Supply Contract" means the Raw Water Supply Contract between the KWA and Flint dated June 28, 2013, and effective on October 1, 2013 that was amended by the First Addendum effective March 6, 2014, the Second Addendum dated \_\_\_\_\_, 2017, and all future amendments thereto.

"Reciprocal Backup Agreement" shall mean the Reciprocal Backup Agreement between GLWA and GCDC.

"Security Deposit Account" shall have the same meaning as the term is defined in Article 12 of the Flint Contract.

"Series 2014 Bonds" means the \$220,500,000 original principal amount Water Supply System Bonds (Karegnondi Water Pipeline), Series 2014A, issued by KWA pursuant to the Financing Contract.

“Series 2016 Bonds” means the \$74,370,000 original principal amount Water Supply System Bonds (Karegnondi Water Pipeline), Series 2016, issued by KWA pursuant to the Financing Contract.

"State" shall mean the State of Michigan.

"Trust Agreement" shall mean the Baseline and All Receipts Trust Agreement among Flint, GLWA, KWA, GCDC, and [Trustee], as Trustee effective \_\_\_\_\_, 2017.

"Volume for Exempt Purposes" shall have the same meaning as this term is defined in the Raw Water Supply Contract.

"Water Transmission Fee" shall have the same meaning as this term is defined in the Raw Water Supply Contract.

**ARTICLE II**  
**AGREEMENT TERM**

The term of this Agreement shall be from the Effective Date and shall remain in effect until the Construction Debt is paid in full and no longer outstanding.

**ARTICLE III**  
**RECEIPT OF RAW WATER**

This Article III shall not apply to any raw water received and the use of that raw water by the GLWA pursuant to the Reciprocal Backup Agreement.

KWA acknowledges that Flint has transferred a portion of its right to delivery and use of raw water to GLWA during the Agreement Term. GLWA and Flint each agree to pay KWA for the raw water each may use that is received from the Raw Water Main at the then current rates established by the KWA Board pursuant to the Raw Water Supply Contract.

Neither GLWA nor Flint shall transmit any raw water purchased from KWA outside of the corporate limits of Flint without the prior written consent of KWA. Neither GLWA nor Flint shall transmit raw water purchased from KWA beyond the watershed as set forth in the Permit.

**ARTICLE IV**  
**APPROVAL OF TRANSFER OF REMAINING RIGHTS TO CAPACITY WHEN DEBT PAID**

Pursuant to the Flint Contract and the License, Flint has provided GLWA with certain rights of raw water. The Flint Contract and the License further provide that Flint's rights licensed to GLWA and the remaining rights transfer after the Construction Debt is paid in full and no longer outstanding, and GLWA has purchased such remaining rights in accordance with the Flint Contract. KWA approves this transfer.



When Flint's remaining rights have transferred to GLWA, GLWA shall provide notice to KWA at the time established by Section 25.03 of the Flint Contract. KWA shall set the price per MGD, for purpose of Exhibit D of the Raw Water Supply Contract, at its then current price, on the date it receives this notice.

As between GLWA and Flint, consideration is deemed paid pursuant to the credits granted under Section 12.05 of the Flint Contract.

Upon the expiration of the Agreement Term, in order for GLWA to continue to receive raw water from KWA, GLWA shall enter into a Water Purchase Contract with KWA.

## **ARTICLE V**

### **RAW WATER SUPPLY CONTRACT AND KWA INDEBTEDNESS**

**Section 5.01. Flint's Obligation to Support Refunding of Bonds.** Flint acknowledges its continuing obligation to support the issuance of the KWA Refunding Bonds. Flint's continuing obligation includes, without limitation, participation and assistance in the issuance of the KWA Refunding Bonds, including: preparation of appropriate disclosure regarding Flint, its financial condition and operations as may be requested by KWA, the bond underwriter or as otherwise required by applicable federal securities laws; the signing of all documents requested by the bond underwriter and KWA; and, when requested by them, using reasonable efforts to provide them with all information and documents within Flint's control necessary to effectuate the purposes of the bond transaction. Flint's continuing obligation also includes taking all actions within its control necessary to maintain the exclusion of the interest on the KWA System Bonds and KWA Refunding Bonds from adjusted gross income for federal income purposes under the Internal Revenue Code of 1986, as amended; and providing and complying with its continuing disclosure obligations related to the KWA System Bonds and the KWA Refunding Bonds.

**Section 5.02. Flint's Obligation to Pay.** In accordance with Article II of the Raw Water Supply Contract, the bonds described on **Exhibit A** attached hereto have been issued by KWA and are and will continue to be payable from and secured by the Capacity Fee payments (to the extent previously payable from and secured by such fees), the Financing Contract payments and the payments to KWA under the Trust Agreement. For the avoidance of doubt, KWA and GLWA acknowledge and agree that the Financing Contract, and Flint's obligations thereunder, (a) remain in full force and effect, and (b) payments related thereto shall be payable thereunder and pursuant to the Trust Agreement.

**Section 5.03. Issuance of KWA Refunding Bonds.** In addition to the provisions of Section 2.05 of the Raw Water Supply Contract entitling KWA to issue KWA Refunding Bonds, the provisions of Article 26 of the Flint Contract impact the issuance of KWA Refunding Bonds by affecting the rights between the Flint and GLWA with respect thereto. KWA has no obligation to inquire as to or verify compliance by Flint with the Flint Contract, including, but not limited, Article 26. For the avoidance of doubt, GLWA (a) is not financially obligated, directly or indirectly, under the Financing Contract, the Raw Water Supply Contract, or

otherwise, for payment of KWA System Bonds or KWA Refunding Bonds or other obligations of Flint thereunder, and (b) is not a material obligated person with respect to such bonds, and has no obligation under federal securities laws or otherwise related to offering or disclosure documents for such bonds.

**Section 5.04. Issuance of KWA System Improvement Bonds.** In addition to the provisions of Section 2.05 of the Raw Water Supply Contract entitling KWA to issue one or more series or issues of KWA System Improvement Bonds, the provisions of Article 26 of the Flint Contract impact the issuance of KWA System Improvement Bonds by affecting the rights between Flint and GLWA with respect thereto. KWA has no obligation to inquire as to or verify compliance by Flint with the Flint Contract, including, but not limited, Article 26. For the avoidance of doubt, GLWA (a) is not financially obligated, directly or indirectly, under the Financing Contract, the Raw Water Supply Contract, or otherwise, for payment of KWA System Bonds or KWA Refunding Bonds or other obligations of Flint thereunder, and (b) is not a material obligated person with respect to such bonds, and has no obligation under federal securities laws or otherwise related to offering or disclosure documents for such bonds.

**Section 5.05. Payments of Capacity Fee and applicable Debt Fund fee.** In accordance with Article III of the Raw Water Supply Contract, as of the Effective Date, Flint is obligated to continue to pay its Capacity Fee and any applicable Debt Fund fee to KWA, to the extent that Flint's obligations for its share of the debt service on the bonds described on **Exhibit A** is not paid with payments to KWA from the Trust Agreement or otherwise. Additionally, Flint will also pay operating and maintenance fees to GCDC, which are paid as the GCDC pass-through charges under the Reciprocal Backup Agreement, the Flint Contract and the Trust Agreement. Notwithstanding any other provisions of the Raw Water Supply Contract as originally drafted, in light of the transactions contemplated by the Master Agreement, KWA (a) does not currently anticipate charging Flint or GLWA an Annual Requirement fee, a Water Transmission Fee (other than with respect to the 0.54 MGD), a fee for Volume for Exempt Purposes or any other fee authorized by the Raw Water Supply Contract, and (b) shall not impose any such fee on Flint without prior written notice to GLWA;

**Section 5.06. Point or Points of Delivery.** In addition to the provisions of Article IV of the Raw Water Supply Contract, with respect to any raw water to be purchased by GLWA pursuant to its rights received under the License, the obligations of KWA to deliver raw water would be to a Point or Points of Delivery set forth on Exhibit B of the Flint Contract, attached hereto, or such other Point or Points of Delivery established by agreement.

**Section 5.07. GLWA not a Successor to Flint.** KWA agrees, for the benefit of GLWA, to comply with its obligations to Flint under the Raw Water Supply Contract. For the avoidance of doubt, GLWA shall not constitute a successor to Flint under the Raw Water Supply Contract or the Financing Agreement, but shall have such obligations as set forth herein and in the documents and agreements executed by it pursuant to the Master Agreement.

**Section 5.08. Remaining KWA System Costs.** KWA represents that the remaining costs to complete the KWA System are not expected to exceed \$4,000,000.00, which is expected to be financed as part of the refinancing of the Series 2016 Bonds.

**ARTICLE VI  
SECURITY DEPOSIT ACCOUNT**

**Section 6.01 Establishment of Security Deposit Account.** Flint has established a Security Deposit Account with GLWA pursuant to the Flint Contract. GLWA is the sole owner of the Security Deposit Account and, except as set forth in this Agreement, GLWA shall have the sole and exclusive rights in and to the Security Deposit Account in accordance with the terms of the Flint Contract.

**Section 6.02 KWA Rights to Pro-Rata Application of Security Deposit Account Balance.** In the event of an ongoing failure of Flint to pay its obligations to GLWA under the Flint Contract and to KWA under the Financing Contract and the Raw Water Supply Contract, all pursuant to the Trust Agreement, then following:

- (i) the Conversion Date (as defined in the Trust Agreement);
- (ii) the application of the entire portion of any available debt service reserve fund monies available for payment of the bonds as listed on **Exhibit A**, which portion was funded by or is allocable to Flint, to Flint's obligations under the Financing Contract as the same become due in accordance with the terms of the applicable KWA bond indentures and/or resolutions, all as evidenced by written certification by the applicable paying agent, financial institution, and/or other third party acceptable to the Parties; and
- (iii) commencement by KWA (itself or by and through its applicable bond trustee(s)) and pursuit of its available remedies for collection from Flint under the terms of the applicable KWA bond indentures and/or resolutions, including commencement of legal action in the appropriate forum, all as evidenced by written certification of the KWA and a copy of the filing(s);

GLWA and KWA agree that any then-remaining balance in the Security Deposit Account shall be split pro-rata between GLWA and KWA for application to Flint's respective financial obligations then due and payable to GLWA under the Flint Contract and to KWA under the Financing Agreement.

**ARTICLE VII  
ACKNOWLEDGEMENT OF ADDENDUM TO RAW WATER SUPPLY CONTRACT**

Flint and KWA shall at the time of execution of this Agreement, execute the SECOND ADDENDUM TO RAW WATER SUPPLY CONTRACT BETWEEN THE KAREGNONDI WATER AUTHORITY AND THE CITY OF FLINT DATED JUNE 28, 2013, AND EFFECTIVE ON OCTOBER 1, 2013 attached hereto as **Exhibit B**.

**ARTICLE VIII**  
**DEFAULT AND REMEDIES**

**Section 8.01. Monetary Default.** All amounts owed to KWA by GLWA or Flint shall, if not paid when due, bear interest at the maximum rate allowed by applicable law from the due date until paid in full. In any collection action for a monetary default, the non-prevailing party shall pay all of the prevailing party's expenses, including, but not limited to, awards of reasonable attorney fees and costs, court costs, and all other costs incurred by the prevailing party in such action.

**Section 8.02. Non-Monetary Default.** If a Party is alleged to be in non-monetary default under this Agreement, the non-defaulting Party shall send written notice to the alleged defaulting Party specifying in detail the nature of the alleged default. The alleged defaulting Party shall have five (5) days to cure the alleged default, provided that if the nature of the alleged default is such that more than five (5) days are required to cure the alleged default, then the alleged defaulting Party shall not be in default if it begins to cure within five (5) days and thereafter diligently pursues the cure to completion. The non-defaulting Party shall be entitled to all of its remedies as allowed by applicable law. In any legal action resulting from a non-monetary default, the non-prevailing party shall pay all of the prevailing party's expenses, including, but not limited to, awards of reasonable attorney fees and costs, court costs, and all other costs incurred by the prevailing party in such action.

**ARTICLE IX**  
**GENERAL PROVISIONS**

**Section 9.01. Force Majeure.** If by reason of Force Majeure occurrence any Party shall be rendered unable wholly or in part to carry out its obligations under this Agreement, other than the obligation of the GLWA or Flint to make the payments as required under this Agreement, then if such Party shall give notice and detail of such Force Majeure occurrence in writing to each other Party within a reasonable time after the onset of the Force Majeure occurrence, the obligation of the Party giving such notice, so far as it is affected by such Force Majeure occurrence, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as used herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of treated water supply, or on account of any other causes not reasonably within the control of the Party claiming such inability.

**Section 9.02. Severability.** In case any one or more of the sections, subsections, provisions, clauses or words of this Agreement or the application of such sections, subsections, provisions, clauses or words to any situation or circumstance shall be, or shall be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity,

unconstitutionality or contravention shall not affect any other sections, subsections, provisions, clauses or words of this Agreement or the application of such sections, subsections, provisions, clauses or words to any other situation or circumstance, and it is intended that this Agreement shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the Parties shall be construed and remain in force accordingly.

**Section 9.03. Governing Law.** The rights and remedies set forth in this Agreement are not exclusive and are in addition to any of the rights or remedies provided by law or equity. This Agreement and all actions arising under it shall be governed by, subject to, and construed according to the laws of the State.

**Section 9.04. Benefits to Inure.** The rights and benefits under this Agreement shall inure to the benefit of and be binding upon the respective parties hereto, their agents, successors and assigns.

**Section 9.05. Waiver.** No Party shall be deemed to have waived any of its rights under this Agreement unless such waiver is in writing and signed by the other Parties. No delay or omission on the part of a Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a waiver of any right on any future occasion.

**Section 9.06. Assignability.** This Agreement may not be assigned by any Party without the prior written consent of all Parties.

**Section 9.07. Construction.** This Agreement has been prepared and negotiations have occurred in connection with said preparation pursuant to the joint efforts of the Parties. This Agreement therefore shall not be construed against any Party to this Agreement.

**Section 9.08. Modification.** This Agreement may not be modified without the consent of all Parties. A Party must give no less than 45 days' written notice to all Parties. Modifications to this Agreement may not be done without the agreement of all Parties. Consent to a modification by any Party shall not be unreasonably withheld.

**Section 9.09. No Third Party Beneficiaries.** In case of a conflict between this Section 7.07 and the Master Agreement, the Master Agreement shall control. Nothing in this clause shall be read to create a third party beneficiary right or to allow enforcement of third party beneficiary rights by an individual or entity that is not a Party, successor to a Party to this Agreement. Nothing in this clause shall be read to allow enforcement of third party beneficiary rights if such enforcement would abridge, impair, or destroy the rights which the promisee of a promise made for the benefit of another person or would otherwise have as a result of such promise.

**Section 9.10. 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.

**Section 9.11. Headings and Captions.** The headings and captions 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.

**Section 9.12. Addresses and Notice.** Unless otherwise provided herein, any notice, communication, request, reply or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any Party to any other Party, shall be in writing and shall be given or be served by depositing the same in the United States mail postpaid and registered and certified and addressed to the Party to be notified, with return receipt requested. Notice deposited in the mail in the manner described above shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three (3) days after it is so deposited. For the purposes of notice, the addresses of the Parties shall, until changed as hereinafter provided, be as follows:

If to GLWA, to:

Great Lakes Water Authority  
Attn: Chief Executive Officer  
735 Randolph Street, Suite 1900  
Detroit, Michigan 48226

If to Flint, to:

City of Flint  
Attn: Mayor  
1101 South Saginaw Street  
Flint, Michigan 48502

If to KWA, to:

Karegnondi Water Authority  
Attn: Chief Executive Officer  
G-4610 Beecher Road  
Flint, Michigan 48532

Each Party shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days written notice to each other Party.

**Section 9.13. Exhibits.** All Exhibits attached to this Agreement are incorporated into this Agreement by reference as though fully set forth herein.

**Section 9.14. Survival.** The terms of the purchase price calculation as set forth in Article IV above shall survive the expiration or termination of this Agreement.

**[THIS SPACE WAS INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, the Parties acting under the authority of their respective governing bodies have caused this Agreement to be duly executed as of the Effective Date.

**GLWA:**

By: \_\_\_\_\_  
Sue McCormick, Chief Executive Officer

\_\_\_\_\_ Date

**KWA:**

By: \_\_\_\_\_  
John F. O'Brien, Deputy Chief Executive Officer

\_\_\_\_\_ Date

**Flint:**

By: \_\_\_\_\_  
Karen Weaver, Mayor

\_\_\_\_\_ Date

**ATTEST:**

By: \_\_\_\_\_  
Inez Brown, City Clerk  
City of Flint

\_\_\_\_\_ Date

**Exhibit A**

**Flint's obligations for its share of the debt service on the bonds**



RNA Bond \$20,000,000 Series 2014A (TIC 4.65%)

Table with columns: Payment Date, Amount, Total Annual Payment, Portion, Flit GDC, Portion, Flit. Includes a calculation check at the bottom: \$11,137,487.50 + \$1,137,487.50 = \$12,274,975.00.

RNA Bond \$74,710,000 Series 2017B (ESTIMATED 28 Year, TIC = 5.00%)

Table with columns: Payment Date, Amount, Total Annual Payment, Portion, Flit GDC, Portion, Flit. Includes a calculation check at the bottom: \$148,172,000.00 + \$148,172,000.00 = \$296,344,000.00.

GDC Inlake Bond \$35,000,000 Series 2013 (TIC 5.00%)

Table with columns: Payment Date, Amount, Total Annual Payment, Portion, Flit GDC, Portion, Flit. Includes a calculation check at the bottom: \$63,184,253.92 + \$63,184,253.92 = \$126,368,507.84.

Total Payments due from GDC and City of Flint

Table with columns: Payment Billing Period, Amount, Total Annual Payment, Portion, Flit GDC, Portion, Flit. Includes a calculation check at the bottom: \$618,706,953.92 + \$618,706,953.92 = \$1,237,413,907.84.

**Exhibit B**

Second Addendum to Raw Water Supply Contract between the Karegnondi Water Authority and the City of Flint dated June 28, 2013, and effective on October 1, 2013

**SECOND ADDENDUM TO  
RAW WATER SUPPLY CONTRACT BETWEEN THE KAREGNONDI WATER  
AUTHORITY AND THE CITY OF FLINT EFFECTIVE ON OCTOBER 1, 2013, AS  
AMENDED BY THE FIRST ADDENDUM EFFECTIVE MARCH 6, 2014**

THIS SECOND ADDENDUM (“Addendum”) to the RAW WATER SUPPLY CONTRACT BETWEEN THE KAREGNONDI WATER AUTHORITY AND THE CITY OF FLINT EFFECTIVE ON OCTOBER 1, 2013, as amended by the FIRST ADDENDUM, EFFECTIVE MARCH 6, 2014 (hereafter the “Agreement”) is executed and delivered as of the Effective Date of the Master Agreement to which this Addendum is attached as Exhibit G, by and between the Karegnondi Water Authority, a Michigan Public Authority created pursuant to Act 233 of the Michigan Public Acts of 1955, as amended (hereinafter “KWA”), whose address is G-4610 Beecher Road, Flint, Michigan 48532 and the City of Flint, a municipal corporation, of the State of Michigan (hereinafter “Flint”), whose address is 1101 South Saginaw Street, Flint, Michigan 48502. KWA and Flint are sometimes hereafter each referred to as a “Party” and collectively as the “Parties.”

**WITNESSETH:**

**WHEREAS**, the Parties entered into a Raw Water Supply Contract, dated the 28<sup>th</sup> day of June, 2013, and effective on October 1, 2013;

**WHEREAS**, the Parties entered into a First Addendum to Raw Water Supply Contract, effective on March 6, 2014;

**WHEREAS**, the Parties have agreed to enter into this Addendum for the purpose of modifying ARTICLE II, Section 2.05; ARTICLE V, Section 5.07; and ARTICLE VII, Section 7.15 of the Agreement.

**NOW THEREFORE**, it is hereby agreed by the Parties as follows:

1. **Amendment to the ARTICLE II, Section 2.05 of the Agreement.** ARTICLE II, Section 2.05 of the Agreement is hereby deleted in its entirety and replaced with the following:

**“Section 2.05. Repair and Replacement of Components-Government Required Enhancements.** It is anticipated that repair and replacement of components of the System and enhancements required by government regulations will be in incremental, finite projects and that each such project will be financed by the Authority through operating revenues, the issuance of one or more series or issues of System Improvement Bonds, or any other lawful sources. Also, on its own initiative or at the request of the Buyer, the Authority may refund any Bonds that were issued to construct, equip, operate, maintain and otherwise improve the System and any System facilities. The Authority agrees that such improvements for

the System will be made in accordance with generally accepted engineering practices. It is anticipated that such improvements will be financed by the Authority through operating revenues, the issuance of one or more series or issues of System Improvement Bonds, or any other lawful sources, payable from and secured by the payments made under this Contract and/or any other lawful sources."

**2. Amendment to the ARTICLE V, Section 5.07 of the Agreement.** ARTICLE V, Section 5.07 of the Agreement is hereby deleted in its entirety and replaced with the following:

**"Section 5.07 Prompt Payment/Disputed Bills.** The Buyer hereby agrees that unless otherwise specified it will make payments required by this Contract to the Authority on or before the 30th day of each month immediately following the month in which the applicable monthly statement date occurs except for the month of February, in which case the monthly due day is the last date of the month of February. For example, if the applicable monthly statement date for water supplied in January is February 20 then the due date for such payment would be March 30. If the Buyer, at any time, disputes the amount to be paid by it to the Authority, the Buyer shall nevertheless promptly make such payment or payments; but, if it is determined by agreement or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Buyer will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by Buyer, or due and owing to the Buyer by the Authority, shall, if not paid when due, bear interest per annum at the maximum rate allowed by law from the date when due until paid."

**3. Amendment to ARTICLE VII, Section 7.15 of the Agreement.** ARTICLE VII, Section 7.15 of the Agreement is hereby deleted in its entirety.

**4. Notices.** Any notice, demand, or communication required, permitted or desired to be given under this Addendum shall be deemed effectively given pursuant to ARTICLE VII, Section 7.24 the Agreement.

**5. Headings.** The headings of the sections set forth in this Addendum are inserted for the convenience of reference only and shall be disregarded when construing or interpreting any of the provisions of this Addendum.

**6. Complete Agreement.** This Addendum, the Agreement and any additional or supplementary documents incorporated by specific reference contain all of the terms and conditions agreed upon by the Parties and no other agreements, oral or otherwise, regarding the subject matter of this Addendum or any part thereof shall have any validity or bind either of the Parties.

7. **Severability.** If any provision of this Addendum is held to be unenforceable for any reason, the unenforceability thereof shall not affect the remainder of this Addendum which shall remain in full force and effect and enforceable in accordance with its terms.

8. **Waiver.** No waiver of any of the obligations contained herein shall be effective for any purpose unless the same shall be in writing signed by the Chairperson of the Incorporating Board of the Karegnondi Water Authority and by Mayor or Emergency Manager, or both upon the Flint City Council or Emergency Manager's approval, whichever is applicable.

9. **Construction.** This Addendum has been prepared and negotiations have occurred in connection with said preparation pursuant to the joint efforts of the Parties. This Addendum therefore shall not be construed against either Party.

10. **Amendment.** This Addendum may not be amended or modified except for by written agreement signed by both Parties.

11. **Certification of Authority to Sign Addendum.** The persons signing on behalf of each of the Parties certify by their signatures that they are authorized to sign the Addendum on behalf of such Party and that this Addendum has been authorized by such Party.

12. **Remainder of Agreement.** Except as modified by this Addendum, the terms of the Agreement shall remain in full force and effect.

**[THIS SPACE INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, the Parties hereto have caused this Addendum to be executed and delivered by their respective duly authorized representatives as of the Effective Date of the Master Agreement to which this Addendum is attached as Exhibit G.

**KAREGNONDI WATER AUTHORITY**

By: \_\_\_\_\_  
John F. O'Brien, Deputy Chief Executive Officer

**ATTEST:**

\_\_\_\_\_

**CITY OF FLINT**

By: \_\_\_\_\_  
Karen Weaver, Mayor

**ATTEST:**

\_\_\_\_\_

Inez Brown, Clerk of the City of Flint

# **EXHIBIT E**



DEQ Tracking Code/Project Number 900040 PIPE  
 Division/Office Administration  
 Amendment Request No. 01

AMENDMENT TO THE POTTER ROAD TRANSMISSION MAIN PROJECT GRANT  
 CONTRACT  
 BETWEEN  
 MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY  
 AND  
 GENESEE COUNTY DRAIN COMMISSIONER

This Amendment modifies the grant contract between the Michigan Department of Environmental Quality (hereafter "State"), and Genesee County (hereafter "Grantee"), signed by the State on June 22, 2017 for the Potter Road Transmission Main Project. This Amendment does not take effect until signed by both parties.

The revisions to the grant contract are limited to those specified below. All other provisions of the contract remain in effect.

**PROJECT SCOPE (WORK PLAN)**

There is no change to the project scope.

**CONTRACT PERIOD (END DATE)**

There is no change to the contract period.

**COMPENSATION (BUDGET)**

The State and the Grantee agree to the budget modifications as described below & included in the attached budget amendment form.

Contractual Services: Increase \$3,300,000

Beginning Total Contract Amount: \$4,200,000

Increase: \$3,300,000

New Total Contract Amount: \$7,500,000

**IV. AUTHORIZED SIGNATURES**

The individuals signing below certify by their signatures that they are authorized to sign this Contract on behalf of their agencies and that the parties will fulfill the terms of this Contract, including any attached appendices, as set forth herein.

FOR THE GRANTEE:

\_\_\_\_\_  
 Signature  
 Jeff Wright, Drain Commissioner  
 Name/Title

7.21.17  
 \_\_\_\_\_  
 Date

FOR THE STATE:

\_\_\_\_\_  
 Signature  
 Amy Epkey, Deputy Director

8/15/17  
 \_\_\_\_\_  
 Date





MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

BUDGET REVISION

Grantee Organization Name: Genesee County
Project Name: Potter Road Transmission Main Project
Tracking Code Number: 900040 PIPE Period Cover Date Submitted

Table with columns: BUDGET CATEGORIES, GRANT (Approved Budget, Proposed Change, Revised Project Grant Funds), MATCH (Approved Local Match, Proposed Change, Revised Local Match Funds), TOTAL. Rows include Staffing and Fringe.

Table for CONTRACTUAL SERVICES. Rows include Rickman Construction\* with detailed budget breakdown.

Table for SUPPLIES & MATERIALS (Itemize). Multiple rows for various supply items.

Table for EQUIPMENT. Rows for equipment items and a subtotal.

Table for TRAVEL. Rows for MILEAGE, LODGING, MEALS, and OTHER (tolls, parking, etc.).

Table for PROJECT. Subtotal row showing \$4,200,000, \$3,300,000, \$7,500,000, and \$7,500,000.

Table for INDIRECT RATE. Subtotal row showing \$0, \$0, \$0, and \$0.

Table for GRANT AND MATCH BUDGET. TOTAL row showing \$4,200,000, \$3,300,000, \$7,500,000, and \$7,500,000. Project Percentage Split: 100.00%.



**POTTER ROAD TRANSMISSION MAIN PROJECT  
BETWEEN THE  
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY  
AND GENESEE COUNTY DRAIN COMMISSIONER**

This Grant Agreement ("Agreement") is made between the Michigan Department of Environmental Quality, (DEQ), ("State"), and Genesee County ("Grantee").

The purpose of this Agreement is to provide funding in exchange for work to be performed for the project named below. The State is authorized to provide grant assistance pursuant to Public Act 268 of 2016, Article XXI, Part 2, Section 503 and Public Act 3 of 2016, Part 1, Section 401. This Agreement is subject to the terms and conditions specified herein.

Project Name: Potter Road Transmission Main Project  
 Amount of grant: \$4,200,000 \*  
 \* To be amended as additional funds become available  
 Start Date 05/23/17

Project #: 900040 PIPE  
 % of grant state 100 / % of grant federal 0  
 PROJECT TOTAL: \$7,500,000 \*  
 End Date: 12/31/17

**GRANTEE CONTACT:**

John O'Brien  
 Name/Title  
Genesee County Drain Commissioner  
 Organization  
4610 Beecher Road  
 Address  
Flint, Michigan 48532  
 Address  
810-732-7870  
 Telephone number  
  
Fax number  
jfbrien@gcdcwws.com  
 E-mail address  
81-0919189  
 Federal ID number  
  
Grantee DUNS number

**STATE'S CONTACT:**

Sylvia Renteria, Assistant Budget Officer  
 Name/Title  
Administration Division  
 Division/Bureau/Office  
P.O. Box 30473  
 Address  
Lansing, Michigan 48909  
 Address  
517-284-5006  
 Telephone number  
  
Fax number  
renterias@michigan.gov  
 E-mail address

The individuals signing below certify by their signatures that they are authorized to sign this Agreement on behalf of their agencies and that the parties will fulfill the terms of this Agreement, including any attached appendices, as set forth herein.

FOR THE GRANTEE:

[Signature]  
 Signature  
Jeff Wright, Drain Commissioner  
 Name/Title

6-14-2017  
 Date

FOR THE STATE:

[Signature]  
 Signature  
Amy Epkey, Deputy Director  
 Name/Title

6-22-17  
 Date

## **I. PROJECT SCOPE**

This Agreement and its appendices constitute the entire Agreement between the State and the Grantee and may be modified only by written agreement between the State and the Grantee.

(A) The scope of this project is limited to the activities specified in Appendix A and such activities as are authorized by the State under this Agreement. Any change in project scope requires prior written approval in accordance with Section III, Changes, in this Agreement.

(B) By acceptance of this Agreement, the Grantee commits to complete the project identified in Appendix A within the time period allowed for in this Agreement and in accordance with the terms and conditions of this Agreement.

## **II. AGREEMENT PERIOD**

Upon signature by the State, the Agreement shall be effective from the Start Date until the End Date on page 1. The State shall have no responsibility to provide funding to the Grantee for project work performed except between the Start Date and the End Date specified on page 1. Expenditures made by the Grantee prior to the Start Date or after the End Date of this Agreement are not eligible for payment under this Agreement.

## **III. CHANGES**

Any changes to this Agreement, other than budget line item revisions less than 10 percent of the budget line item, shall be requested by the Grantee or the State in writing and implemented only upon approval in writing by the State. The State reserves the right to deny requests for changes to the Agreement or to the appendices. No changes can be implemented without approval by the State.

Due to constraints imposed by the financial mechanisms governing the funding of this project, it is anticipated for the Agreement to be amended to provide additional funding as it becomes available.

## **IV. GRANTEE DELIVERABLES AND REPORTING REQUIREMENTS**

The Grantee shall submit deliverables and follow reporting requirements specified in Appendix A of this Agreement.

(A) The Grantee must complete and submit monthly reports according to a form and format prescribed by the State and must include supporting documentation of eligible project expenses. Reports are due 15 days after the end of each month except for the September transactions report, which, due to year-end closing, must be submitted seven calendar days earlier. If the Grantee is unable to submit a report in early October for the month ending September 30, an estimate of expenditures through September 30 must be submitted to allow the State to complete its accounting for that fiscal year.

The forms provided by the State shall be submitted to the State's contact at the address on page 1. All required supporting documentation (invoices, proof of payment, etc.) for expenses must be included with the report.

(B) The Grantee shall provide a final project report in a format prescribed by the State. The Grantee must provide a draft final report 45 days prior to the end date of the agreement. The Grantee shall submit the final status report, including all supporting documentation for expenses, along with the final project report and any other outstanding products within 30 days from the End Date of the Agreement.

## **V. GRANTEE RESPONSIBILITIES**

(A) The Grantee agrees to abide by all applicable local, state, and federal laws, rules, ordinances, and regulations in the performance of this grant.

(B) All local, state, and federal permits, if required, are the responsibility of the Grantee. Award of this grant is not a guarantee of permit approval by the State.

(C) The Grantee shall be solely responsible to pay all applicable taxes and fees, if any, that arise from the Grantee's receipt or execution of this grant.

(D) The Grantee is responsible for the professional quality, technical accuracy, timely completion, and coordination of all designs, drawings, specifications, reports, and other services submitted to the State under this Agreement. The Grantee shall, without additional compensation, correct or revise any errors, omissions, or other deficiencies in drawings, designs, specifications, reports, or other services.

(E) The State's approval of drawings, designs, specifications, reports, and incidental work or materials furnished hereunder shall not in any way relieve the Grantee of responsibility for the technical adequacy of the work. The State's review, approval, acceptance, or payment for any of the services shall not be construed as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement.

(F) The Grantee acknowledges that it is a crime to knowingly and willingly file false information with the State for the purpose of obtaining this Agreement or any payment under the Agreement, and that any such filing may subject the Grantee, its agents, and/or employees to criminal and civil prosecution and/or termination of the grant.

## **VI. USE OF MATERIAL**

Unless otherwise specified in this Agreement, the Grantee may release information or material developed under this Agreement, provided it is acknowledged that the State funded all or a portion of its development.

The State, and federal awarding agency, if applicable, retains a royalty-free, nonexclusive and irrevocable right to reproduce, publish, and use in whole or in part, and authorize others to do so, any copyrightable material or research data submitted under this grant whether or not the material is copyrighted by the Grantee or another person. The Grantee will only submit materials that the State can use in accordance with this paragraph.

## **VII. ASSIGNABILITY**

The Grantee shall not assign this Agreement or assign or delegate any of its duties or obligations under this Agreement to any other party without the prior written consent of the State. The State does not assume responsibility regarding the contractual relationships between the Grantee and any subcontractor.

## **VIII. SUBCONTRACTS**

The State reserves the right to deny the use of any consultant, contractor, associate, or other personnel to perform any portion of the project. The Grantee is solely responsible for all contractual activities performed under this Agreement. Further, the State will consider the Grantee to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Grant. All subcontractors used by the Grantee in performing the project shall be subject to the provisions of this Agreement and shall be qualified to perform the duties required.

## **IX. NON-DISCRIMINATION**

The Grantee shall comply with the Elliott Larsen Civil Rights Act, 1976 PA 453, as amended, MCL 37.2101 *et seq.*, the Persons with Disabilities Civil Rights Act, 1976 PA 220, as amended, MCL 37.1101 *et seq.*, and all other federal, state, and local fair employment practices and equal opportunity laws and covenants that it shall not discriminate against any employee or applicant for employment, to be employed in the performance of this Agreement, with respect to his or her hire, tenure, terms, conditions, or privileges of employment, or any matter directly or indirectly related to employment, because of his or her race, religion, color, national origin, age, sex, height, weight, marital status, or physical or mental disability that is unrelated to the individual's ability to perform the duties of a particular job or position. The Grantee agrees to include in every subcontract entered into for the performance of this Agreement this covenant not to discriminate in employment. A breach of this covenant is a material breach of this Agreement.

## **X. UNFAIR LABOR PRACTICES**

The Grantee shall comply with the Employers Engaging in Unfair Labor Practices Act, 1980 PA 278, as amended, MCL 423.321 *et seq.*

## **XI. LIABILITY**

(A) The Grantee, not the State, is responsible for all liabilities as a result of claims, judgments, or costs arising out of activities to be carried out by the Grantee under this Agreement, if the liability is caused by the Grantee, or any employee, agent, or subcontractor of the Grantee acting within the scope of their employment or agency.

(B) Nothing in this Agreement should be construed as a waiver of any governmental immunity by the Grantee, the State, its agencies, or their employees as provided by statute or court decisions.

## **XII. CONFLICT OF INTEREST**

No government employee, or member of the legislative, judicial, or executive branches, or member of the Grantee's Board of Directors, its employees, partner agencies, or their families shall benefit financially from any part of this Agreement.

## **XIII. ANTI-LOBBYING**

The Grantee shall not use any of the grant funds awarded in this Agreement for the purpose of lobbying as defined in the State of Michigan's lobbying statute, MCL 4.415(2). "Lobbying" means communicating directly with an official of the executive branch of state government or an official in the legislative branch of state government for the purpose of influencing legislative or administrative action." The Grantee shall not use any of the grant funds awarded in this Agreement for the purpose of litigation against the State. Further, the Grantee shall require that language of this assurance be included in the award documents of all subawards at all tiers.

## **XIV. DEBARMENT AND SUSPENSION**

By signing this Agreement, the Grantee certifies that it has checked the federal debarment/suspension list at [www.SAM.gov](http://www.SAM.gov) to verify that its agents, and its subcontractors:

- (1) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or the state.
- (2) Have not within a three-year period preceding this Agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or

local) transaction or contract under a public transaction, as defined in 45 CFR 1185; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.

- (3) Are not presently indicted or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any of the offenses enumerated in subsection (2).
- (4) Have not within a three-year period preceding this Agreement had one or more public transactions (federal, state, or local) terminated for cause or default.
- (5) Will comply with all applicable requirements of all other state or federal laws, executive orders, regulations, and policies governing this program.

#### **XV. AUDIT AND ACCESS TO RECORDS**

The State reserves the right to conduct a programmatic and financial audit of the project, and the State may withhold payment until the audit is satisfactorily completed. The Grantee will be required to maintain all pertinent records and evidence pertaining to this Agreement, including grant and any required matching funds, in accordance with generally accepted accounting principles and other procedures specified by the State. The State or any of its duly authorized representatives must have access, upon reasonable notice, to such books, records, documents, and other evidence for the purpose of inspection, audit, and copying. The Grantee will provide proper facilities for such access and inspection. All records must be maintained for a minimum of five years after the final payment has been issued to the Grantee by the State.

#### **XVI. INSURANCE**

(A) The Grantee must maintain insurance or self-insurance that will protect it from claims that may arise from the Grantee's actions under this Agreement.

(B) The Grantee must comply with applicable workers' compensation laws while engaging in activities authorized under this Agreement.

#### **XVII. OTHER SOURCES OF FUNDING**

The Grantee guarantees that any claims for reimbursement made to the State under this Agreement must not be financed by any source other than the State under the terms of this Agreement. If funding is received through any other source, the Grantee agrees to delete from Grantee's billings, or to immediately refund to the State, the total amount representing such duplication of funding.

#### **XVIII. COMPENSATION**

(A) A breakdown of costs allowed under this Agreement is identified in Appendix A. The State will pay the Grantee a total amount not to exceed the amount on page 1 of this Agreement, in accordance with Appendix A. All other costs necessary to complete the project are the sole responsibility of the Grantee.

(B) Expenses incurred by the Grantee prior to the Start Date or after the End Date of this Agreement are not allowed under the Agreement.

(C) The State will approve payment requests after approval of reports and related documentation as required under this Agreement.

(D) The State reserves the right to request additional information necessary to substantiate payment requests.

(E) Payments under this Agreement may be processed by Electronic Funds Transfer (EFT). The Grantee may register to receive payments by EFT at the Contract & Payment Express Web Site (<http://www.cpexpress.state.mi.us>).

#### **XIX. CLOSEOUT**

(A) A determination of project completion, which may include a site inspection and an audit, shall be made by the State after the Grantee has satisfactorily completed the activities, and provided products and deliverables described in Appendix A.

(B) Upon issuance of final payment from the State, the Grantee releases the State of all claims against the State arising under this Agreement. Unless otherwise provided in this Agreement or by State law, final payment under this Agreement shall not constitute a waiver of the State's claims against the Grantee.

#### **XX. CANCELLATION**

This Agreement may be canceled by the State, upon 30 days written notice, due to Executive Order, budgetary reduction, other lack of funding, upon request by the Grantee, or upon mutual agreement by the State and Grantee. The State may honor requests for just and equitable compensation to the Grantee for all satisfactory and eligible work completed under this Agreement up until 30 days after written notice, upon which time all outstanding reports and documents are due to the State and the State will no longer be liable to pay the grantee for any further charges to the grant.

#### **XXI. TERMINATION**

(A) This Agreement may be terminated by the State as follows.

(1) Upon 30 days written notice to the Grantee:

- a. If the Grantee fails to comply with the terms and conditions of the Agreement, or with the requirements of the authorizing legislation cited on page 1, or the rules promulgated thereunder, or other applicable law or rules.
- b. If the Grantee knowingly and willingly presents false information to the State for the purpose of obtaining this Agreement or any payment under this Agreement.
- c. If the State finds that the Grantee, or any of the Grantee's agents or representatives, offered or gave gratuities, favors, or gifts of monetary value to any official, employee, or agent of the State in an attempt to secure a subcontract or favorable treatment in awarding, amending, or making any determinations related to the performance of this Agreement.
- d. If the Grantee or any subcontractor, manufacturer, or supplier of the Grantee appears in the register of persons engaging in unfair labor practices that is compiled by the Michigan Department of Licensing and Regulatory Affairs or its successor.
- e. During the 30-day written notice period, the State shall withhold payment for any findings under subparagraphs a through d, above and the Grantee will immediately cease charging to the grant and stop earning match for the project (if applicable).

(2) Immediately and without further liability to the State if the Grantee, or any agent of the Grantee, or any agent of any subcontract is:

- a. Convicted of a criminal offense incident to the application for or performance of a State,

- public, or private contract or subcontract;
- b. Convicted of a criminal offense, including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees;
- c. Convicted under State or federal antitrust statutes; or
- d. Convicted of any other criminal offense that, in the sole discretion of the State, reflects on the Grantee's business integrity.
- e. Added to the federal or state Suspension and Debarment list.

(B) If a grant is terminated, the State reserves the right to require the Grantee to repay all or a portion of funds received under this Agreement.

#### **XXII. IRAN SANCTIONS ACT**

By signing this Agreement the Grantee is certifying that it is not an Iran linked business, and that its contractors are not Iran linked businesses, as defined in MCL 129.312.

#### **XXIII. PREVAILING WAGE**

This agreement and any subcontracts is subject to the Michigan Prevailing Wage Act, MCL 408.552, which requires that wage and fringe benefits rates to be paid for construction labor on certain state financed construction projects shall not be less than the wage and fringe benefit rates prevailing in the locality in which the work is to be performed.



## **Appendix A**

### **Potter Road Transmission Main Project Project Description**

This grant agreement is for the installation of approximately 38,675 feet of 42-inch drinking water transmission main by the Genesee County Drain Commissioner (GCDC) in an easement and along Potter Road in accordance with Permit No. W171024 issued by the Michigan Department of Environmental Quality on April 5, 2017. This water transmission main will run parallel to the existing 72-inch transmission main that currently supplies treated water from the Great Lakes Water Authority (GLWA) to GCDC customers as well as the City of Flint (City). This will allow the GCDC to supply treated water from its new water treatment plant to its customers after October 2017 while the City continues to receive treated water from GLWA.

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

**PERMIT APPLICATION FOR WATER SUPPLY SYSTEMS**  
 (CONSTRUCTION - ALTERATION - ADDITION OR IMPROVEMENT) AS DESCRIBED HEREIN  
 Required under the Authority of 1976 PA 399, as amended

This application becomes an Act 399 Permit only when signed and issued by authorized Michigan Department of Environmental Quality (DEQ) Staff. See Instructions below for completion of this application.

<p><b>1. Municipality or Organization, Address and WSSN</b>                  that will own or control the water facilities to be constructed. This permit is to be issued to:                  Genesee County Water System                  4610 Beecher Road                  Flint, MI 48532</p> <p>WSSN: 02615</p>	Permit Stamp Area (DEQ use only)  MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY  PERMIT NO. <b>W 171024 APR 05 '17</b>  EXAMINED AND APPROVED FOR COMPLIANCE WITH ACT 399, P.A. 1976	
<p><b>2. Owner's Contact Person</b> (provide name for questions):</p> <p>Contact: <b>Matt Raysin, P.E.</b>                  Title: <b>Assistant Director of Engineering</b>                  Phone: <b>810.732.7870</b></p>	<p><b>4. Project Location</b>                  (City, Village, Township):                  City of Burton, Davison Township, Richfield Township</p> <p><b>5. County</b> (location of project):                  Genesee</p>	
<p><b>3. Project Name</b> (Provide phase number if project is segmented):</p> <p>Potter Road Southeast Loop Extension, Contract S-5006</p>		

ISSUED UNDER THE AUTHORITY OF THE DIRECTOR OF THE DEPARTMENT OF ENVIRONMENT QUALITY

cc:

Issued by: *Robert Jordan*  
 Reviewed by: *Robert Jordan*

If this box is marked see attached special conditions.

**Instructions:** Complete Items 1 through 5 above and 6 through 21 on the following pages of this application. Print or type all information except for signatures. Mail completed application, plans and specifications, and any attachments to the DEQ District Office having jurisdiction in the area of the proposed construction.

**Please Note:**

- a. This PERMIT only authorizes the construction, alteration, addition or improvement of the water system described herein and is issued solely under the authority of 1976 PA 399, as amended.
- b. The issuance of this PERMIT does not authorize violation of any federal, state or local laws or regulations, nor does it obviate the necessity of obtaining such permits, including any other DEQ permits, or approvals from other units of government as may be required by law.
- c. This PERMIT expires two (2) years after the date of issuance in accordance with R 325.11306, 1976 PA 399, administrative rules, unless construction has been initiated prior to expiration.
- d. Noncompliance with the conditions of this permit and the requirements of the Act constitutes a violation of the Act.
- e. Applicant must give notice to public utilities in accordance with 1974 PA 53, (MISS DIG), being Section 460.701 to 460.718 of the Michigan Compiled Laws, and comply with each of the requirements of that Act.
- f. All earth changing activities must be conducted in accordance with the requirements of the Soil Erosion and Sedimentation Control Act, Part 91, 1994 PA 451, as amended.
- g. All construction activity impacting wetlands must be conducted in accordance with the Wetland Protection Act, Part 303, 1994 PA 451, as amended.
- h. Intentionally providing false information in this application constitutes fraud which is punishable by fine and/or imprisonment.
- i. Where applicable for water withdrawals, the issuance of this permit indicates compliance with the requirements of Part 327 of Act 451, Great Lakes Preservation Act.

MDEQ - RMC  
 APR 04 2011

Saginaw Bay

EQP5877 (Rev. 6/2012)

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

Permit Application for Water Systems (Continued)

6. Facilities Description – In the space below provide a detailed description of the proposed project. Applications without adequate facilities descriptions will be returned. SEE EXAMPLES BELOW. Use additional sheets if needed.

5,660 feet of 42-inch water main in easement through For-Mar Nature Preserve from Genesee Road to Potter Road.  
 33,015 feet of 42-inch water main in Potter Road west from Henderson Road.

Areas with less than 10' horizontal separation:

STA 37+80 - STA 38+50: 70' - 8" sanitary sewer  
 STA 40+82 - STA 53+22: 1,240' - 8" and 12" storm sewer  
 STA 55+10 - STA 62+15: 705' - 8" sanitary sewer  
 STA 81+75 - STA 93+10: 1,135' - 12" and 18" storm sewer  
 STA 130+25 - STA 133+20: 285' - 19" x 30" elliptical culvert  
 STA 134+79 - STA 137+58: 279' - 24" storm sewer  
 STA 160+15 - STA 183+18: 3,330' - 36" and 42" storm sewer

EXAMPLES – EXAMPLES – EXAMPLES – EXAMPLES – EXAMPLES – EXAMPLES	
Water Mains	500 feet of 8-inch water main in First Street from Main Street north to State Street. OR 250 feet of 12-inch water main in Clark Road from an existing 8-inch main in Third Avenue north to a hydrant.
Booster Stations	A booster station located at the southwest corner of Third Avenue and Main Street, and equipped with two, 15 Hp pumps each rated 150 gpm @ 200 feet TDH. Station includes backup power and all other equipment as required for proper operation.
Elevated Storage Tank	A 300,000 gallon elevated storage tank located in City Park. The proposed tank shall be spherical, all welded construction and supported on a single pedestal. The tank shall be 150 feet in height, 40 feet in diameter with a normal operating range of 130 – 145 feet. The interior coating system shall be ANS/NSF Standard 61 approved or equivalent. The tank will be equipped with a cathodic protection system, and includes a tank level control system with telemetry.
Chemical Feed	A positive displacement chemical feed pump, rated at 24 gpd @ 110 psi to apply a chlorine solution for Well No. 1. Chlorine is 12.5% NaOCl, ANS/NSF Standard 60 approved and will be applied at a rate of 1.0 mg/l of actual chlorine.
Water Supply Well	Well No. 3, a 200 foot deep well with 170 feet of 8-inch casing and 30 feet of 8-inch, 10 slot screen. The well will be equipped with a 20 Hp submersible pump and motor rated 200 gpm @ 225 feet TDH, set at 160 feet below land surface.
Treatment Facilities	A 5 million gpd water treatment plant located at the north end of Second Avenue. The facility will include 6 low service pumps, 2 rapid mix basins, 4 flocculation/sedimentation basins, 8 dual media filters, 3 million gallon water storage reservoir and 8 high service pumps. Also included are chemical feed pumps and related appurtenances for the addition of alum, fluoride, phosphate and chlorine.

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

Permit Application for Water Systems (Continued)

<p><b>General Project Information – Complete all boxes below.</b></p>	
<p>7. Design engineer's name, engineering firm, address, phone number, and email address:</p> <p>Steven J. Nagy, P.E. Flels &amp; Vandenbrink 9475 Holly Road, Suite 201 Grand Blanc, MI 48439</p>	<p>8. Indicate who will provide project construction inspection:</p> <p><input checked="" type="checkbox"/> Organization listed in Box 1. <input type="checkbox"/> Engineering firm listed in Box 7. <input type="checkbox"/> Other - name, address, and phone number listed below.</p>
<p>9. Is a basis of design attached?</p> <p><input type="checkbox"/> YES      <input checked="" type="checkbox"/> NO</p> <p>If no, briefly explain why a basis of design is not needed. Project is a replacement of an existing connector main</p>	
<p>10. Are sealed and signed engineering plans attached?</p> <p><input checked="" type="checkbox"/> YES      <input type="checkbox"/> NO</p> <p>If no, briefly explain why engineering plans are not needed.</p>	
<p>11. Are sealed and signed construction specifications attached?</p> <p><input checked="" type="checkbox"/> YES      <input type="checkbox"/> NO</p> <p>If specifications are not attached, they need to be on file at DEQ.</p>	
<p>12. Were Recommended Standards for Water Works, Suggested Practice for Water Works, AWWA guidelines, and the requirements of Act 389 and its administrative rules followed?</p> <p><input type="checkbox"/> YES      <input checked="" type="checkbox"/> NO</p> <p>If no, explain which deviations were made and why. 10-foot horizontal separation could not be maintained at the locations identified in Box 6 due to the presence of existing utilities. Horizontal separation will be maximized in the field to the extent possible.</p>	
<p>13. Are all coatings, chemical additives and construction materials ANSI/NSF or other adequate 3<sup>rd</sup> party approved?</p> <p><input checked="" type="checkbox"/> YES      <input type="checkbox"/> NO</p> <p>If no, describe what coatings, additives or materials did not meet the applicable standard and why.</p>	
<p>14. Are all water system facilities being installed in the public right-of-way or a dedicated utility easement? (For projects not located in the public right-of-way, utility easements must be shown on the plans.)</p> <p><input checked="" type="checkbox"/> YES      <input type="checkbox"/> NO</p> <p>If no, explain how access will be obtained.</p>	
<p>15. Is the project construction activity within a wetland (as defined by Section 324.30301(d)) of Part 303, 1994 PA 451?</p> <p><input checked="" type="checkbox"/> YES      <input type="checkbox"/> NO</p> <p>If yes, a wetland permit must be obtained.</p>	
<p>16. Is the project construction activity within a 100-year floodplain (as defined by R 323.1311(e)) of Part 31, 1994 PA 451, administrative rules?</p> <p><input checked="" type="checkbox"/> YES      <input type="checkbox"/> NO</p> <p>If yes, a flood plain permit must be obtained.</p>	
<p>17. Is the project construction activity within 500 feet of a lake, reservoir, or stream?</p> <p><input checked="" type="checkbox"/> YES      <input type="checkbox"/> NO</p> <p>If yes, a Soil and Erosion Control Permit must be obtained or indicate if the owner listed in box 2 of this application is an Authorized Public Agency (Section 10 of Part 91, 1994 PA 451) <input checked="" type="checkbox"/> Owner is APA.</p>	

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

Permit Application for Water Systems (Continued)

18. Will the proposed construction activity be part of a project involving the disturbance of five (5) or more acres of land?  
 YES       NO  
 If yes, is this activity regulated by the National Pollutant Discharge Elimination System storm water regulations?  
 YES: NPDES Authorization to discharge storm water from construction activities must be obtained.  
 NO: Describe why activity is not regulated:  
 Please call 517-241-8993 with questions regarding the applicability of the storm water regulations.

19. Is the project in or adjacent to a site of suspected or known soil or groundwater contamination?  
 YES       NO  
 If yes, attach a copy of a plan acceptable to the DEQ for handling contaminated soils and/or groundwater disturbed during construction. Contact the local DEQ district office for listings of Michigan sites of environmental contamination.

20. IF YOU ARE A CUSTOMER/WHOLESALE/BULK PURCHASER, COMPLETE THE FOLLOWING

1) Name and WSSN of source water supply system (seller) \_\_\_\_\_

2) Does the water service contract require water producer/seller to review and approve customer/wholesale/bulk purchaser water system construction plans?  
 YES       NO

If yes to #2, the producer/seller approval letter must be attached when submitted to DEQ.

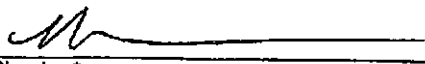
21. **Owner's Certification** The owner of the proposed facilities or the owner's authorized representative shall complete the owner's certification. It is anticipated that the owner will either be a governmental agency (city, village, township, county, etc.) or a private owner (individual, company, association, etc.) of a Type I public water supply.

**OWNER'S CERTIFICATION**

I, Matt Rayson (name), acting as the Assistant Director of Eng (title/position) for  
(print) (print)

GCDC-WWS (entity owning proposed facilities) certify that this project has  
(print)

been reviewed and approved as detailed by the Plans and Specifications submitted under this application, and is in compliance with the requirements of 1976 PA 399, as amended, and its administrative rules.

      4-3-17      810-730-7870  
 Signature\*      Date      Phone

\*Original signature only, no photocopies will be accepted.



MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

Applicant Name: Genesee County  
 Project Name: Potter Road Transmission Main Project  
 Tracking Code Number: 900040 PIPE

		GRANT AMOUNT	LOCAL MATCH AMOUNT	TOTAL
Staffing		\$ -	\$ -	\$ -
Fringe		\$ -	\$ -	\$ -
<b>STAFFING AND FRINGE BENEFITS Subtotal</b>		\$ -	\$ -	\$ -
<b>CONTRACTUAL SERVICES</b>	<b>HOURS or UNITS</b>	<b>RATE or TOTAL</b>		
Rickman Construction *	1.00	\$ 7,500,000	\$ 7,500,000	\$ - \$ 7,500,000
* The total project is projected to be \$7.5 million and this grant agreement is currently only for \$4.2 million.				
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
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		\$ -	\$ -	\$ -
<b>CONTRACTUAL SERVICES Subtotal</b>		\$ 7,500,000	\$ -	\$ 7,500,000
<b>SUPPLIES &amp; MATERIALS (Itemize)</b>	<b>QUANTITY</b>	<b>COST</b>		
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
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		\$ -	\$ -	\$ -
<b>Subtotal</b>		\$ -	\$ -	\$ -
<b>EQUIPMENT (any item over \$1000)</b>				
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
<b>Subtotal</b>		\$ -	\$ -	\$ -
<b>TRAVEL</b>				
<b>MILEAGE</b>	<b>MILES</b>	<b>RATE</b>		
		\$ -	\$ -	\$ -
<b>LODGING</b>	<b>NIGHTS</b>	<b>RATE</b>		
		\$ -	\$ -	\$ -
<b>MEALS</b>	<b>QUANTITY</b>	<b>RATE</b>		
		\$ -	\$ -	\$ -
<b>OTHER (tolls, parking, etc.)</b>	<b>QUANTITY</b>	<b>RATE</b>		
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
<b>Subtotal</b>		\$ -	\$ -	\$ -
<b>PROJECT</b>				
<b>Subtotal</b>		\$ 7,500,000	\$ -	\$ 7,500,000
<b>INDIRECT RATE</b>				
<b>Subtotal</b>		0%	\$ -	\$ -
<b>GRANT AND MATCH BUDGET</b>				
<b>TOTAL</b>		\$ 7,500,000	\$ -	\$ 7,500,000
<b>Project Percentage Split</b>		100.00%		



MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

SOURCES OF MATCH: Organization	DOLLAR VALUE COMMITTED:		
	In Kind	Cash	Total
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
Subtotal	\$ -	\$ -	\$ -
Total Match Must Equal Amount in Budget Sheet Above	\$ -	\$ -	\$ -
SOURCE OF ORGANIZATION AND MATCH:			

EQP 5834 (Revised 3/15)

# **EXHIBIT F**



**CONTRACT FOR DEED**

This Contract for Deed executed and delivered as of the Effective Date of the Master Agreement to which this Contract for Deed is attached as Exhibit \_\_\_ by and between the County of Genesee, acting by and through the Genesee County Drain Commissioner, as County Agency, pursuant to PA 342 of 1939, as amended ("GCDC") and the City of Flint, a Home Rule City ("Flint" or "City").

WHEREAS, a 72" pipeline beginning near the intersection of Baxter Road and Potter Road in Genesee County ("Baxter/Potter Meter Pit") and terminating approximately 1000 feet east of Pierson and Center Roads, provides water supply from GLWA to GCDC and Flint ("72-inch pipeline").

WHEREAS, in 2010, Flint and the City of Lapeer, together with Genesee, Lapeer, and Sanilac Counties formed the Karegnondi Water Authority ("KWA") to, among other things, deliver raw water to the member communities.

WHEREAS, on August 1, 2013, KWA, Genesee County, and Flint entered into a Financing Agreement ("KWA Financing Agreement") in which Genesee County and Flint each agreed to pledge its full faith and credit to support issuance of \$300 million in bonds to finance construction of the KWA Pipeline.

WHEREAS, in late 2013 Flint approached GCDC to purchase the 72" Pipeline from it, since Flint no longer had a use for that pipeline.

WHEREAS, on April 16, 2014, KWA issued \$220.5 million of the \$300 million of bonds authorized by the KWA Financing Agreement.

WHEREAS, on May 30, 2014, GCDC agreed, in a Water Transmission Acquisition Agreement, to purchase the 72" Pipeline from Flint for a purchase price of \$3,987,700.00. GCDC paid the purchase price to Flint.

WHEREAS, effective June 1, 2014, Flint agreed to provide GCDC with emergency backup water service ("Emergency Backup Agreement").

WHEREAS, in October 2015, the City of Detroit agreed to deliver potable water to Flint. The 72" Pipeline was required to accomplish that delivery.

WHEREAS, to allow Flint to receive the Detroit water, on October 14, 2015, GCDC granted Flint a license to transmit Detroit water through its 72" Pipeline at a cost of \$1 per month during the term of the license ("Water Transmission License").

WHEREAS, on June 10, 2016, KWA issued \$74.37 million in bonds authorized by the KWA Financing Agreement ("2016 KWA Bonds").

WHEREAS, KWA intends to refinance the 2016 KWA Bonds between October 2017 and March 2018. Genesee County is concerned that delays may occur which result in bigger costs.

WHEREAS, as a part of a series of agreements incorporated in a Master Agreement dated as of \_\_\_\_\_, 2017, between and among Flint, the Department of Environmental Quality of the State of Michigan ("DEQ"), GCDC, the Great Lakes Water Authority ("GLWA"), and the KWA to which this Contract is an exhibit and incorporated therein, GCDC has agreed to place a quit claim deed and bill of sale to the 72" pipeline in escrow to be released, upon the occurrence of the condition contained in this Contract. Flint and the GLWA have similarly agreed to respectively place in escrow an Irrevocable License and a Sublicense of the 72" pipeline in escrow to be released concurrently with the Deed and Bill of Sale.

NOW, THEREFORE, based upon the foregoing recitals and in consideration of the mutual covenants and agreements contained in this Agreement, the Parties agree as follows:

ARTICLE I. Execution and Delivery of Quit Claim Deed.

GCDC covenants and agrees to execute and deliver into escrow with an escrow agent acceptable to GCDC and Flint, a Quit Claim Deed and Bill of Sale to the 72" Pipeline to be released and delivered to Flint when the following condition has been met: KWA has completed its refinancing of the 2016 KWA Bonds.

A copy of that Quit Claim Deed and Bill of Sale are attached as Exhibit "A".

ARTICLE II. Cooperation of Parties in Financing.

Flint covenants and agrees to timely and fully cooperate with KWA in obtaining and completing the refinancing of the 2016 KWA bonds authorized in the August 1, 2013 KWA Financing Agreement, including, but not limited to, signing any document requested by the bond underwriter or KWA when asked to do so and by providing any information or document relevant to the refinancing (under Flint's control) to the bond underwriter, or KWA, when asked to do so. GCDC covenants and agrees to cooperate with Flint to aid Flint to the extent possible in performing its undertakings under this Contract and to provide Flint with a schedule for the refinancing, benchmarks for completing such refinancing and documentary requests as information becomes available to GCDC from the underwriter.

ARTICLE III. Backup Water Supply Agreement.

The parties covenant and agree that the Emergency Backup Water Supply Agreement entered into effective June 1, 2014, between Flint and GCDC, is null, void, and of no further effect and shall not provide the basis for a claim, prospective or retrospective, by either party against the other.

ARTICLE IV. Water Transmission License.

The parties covenant and agree that upon delivery of the documents described in Article II out of escrow, the Water Transmission License delivered October 14, 2015, by GCDC to Flint shall be null, void, and of no further effect, and shall not provide the basis for a claim, prospective or retrospective by either party against the other.

ARTICLE V. Adoption of Recitals.

All of the matters stated in the recitals to this Agreement are true and correct and are hereby incorporated into the body of this Agreement as though fully set forth herein in their entirety. In case of conflict or ambiguity between the recitals and other provisions of this Agreement, the other provisions of this Agreement shall control over the recitals.

[THIS SPACE WAS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties hereto, acting under appropriate authority, have caused the Agreement to be executed, in counterparts, each of which shall be an original.

WITNESSETH:

CITY OF FLINT

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

WITNESSETH:

COUNTY OF GENESEE, acting by and through  
the Genesee County Drain Commissioner, as  
County Agency, pursuant to PA 342 of 1939

\_\_\_\_\_

\_\_\_\_\_

By: Jeff Wright

Its: Drain Commissioner

EXHIBIT A TO CONTRACT FOR DEED

QUIT CLAIM DEED

**KNOW ALL MEN BY THESE PRESENTS** that the County of Genesee, acting by and through the Genesee County Drain Commissioner, as County Agency pursuant to PA 342 of 1939, (“Grantor”) whose address is G-4610 Beecher Road, Flint, Michigan 48532, quit claims to the City of Flint, a Michigan Home Rule City (“Flint”), whose address is 1101 South Saginaw Street, Flint, Michigan 48502, all of its right, title, and interest in and to the following-described property situated in Genesee County, Michigan:

A 72” water transmission pipeline and associated appurtenances (the “Property”) beginning at station 6.00 (located in the proximity of Baxter Road and Potter Road) and extending westerly under public roadways and public and private property to station 474+03, at which a main line valve is located, as evidenced by the documents attached hereto and incorporated herein as Exhibit A together with a water meter vault located at station 5+77.7 to station 6.00 (as evidenced by the documents in attached Exhibit A).

The water transmission pipeline is being conveyed without warranties of any kind, including, but not limited to, any warranty of title to the Property, any implied warranties of merchantability and fitness for a specific or general purpose and those arising by statute or by law or from a course of dealing or usage of trade, and is conveyed “AS IS”, “WHERE IS”, AND “WITH ALL FAULTS” physical condition, with no warranties, express or implied, with respect to the physical condition of the water transmission pipeline or the water meter vault.

together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining thereto for the sum of \$100, subject to easements and restrictions of record, if any. This transfer is exempt from taxation pursuant to MCLA §207.505(a), MCLA §207.526(a), and MCLA §207.526(h)(i).

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

County of Genesee, acting by and through the Genesee  
County Drain Commissioner, as County Agency,  
Pursuant to PA 342 of 1939

By: \_\_\_\_\_  
Jeff Wright, Genesee County Drain Commissioner

STATE OF MICHIGAN     )  
  ) ss:  
COUNTY OF GENESEE    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2017, by the County of Genesee, acting by and through the Genesee County Drain Commissioner, as County Agency, pursuant to PA 342 of 1939, Jeff Wright, Genesee County Drain Commissioner.

\_\_\_\_\_  
Notary Public, \_\_\_\_\_ County, Michigan  
Acting in \_\_\_\_\_, County, Michigan  
My commission expires: \_\_\_\_\_

---

County Treasurer's Certificate	City Treasurer's Certificate	
When Record Return to	Send Subsequent Tax Bills	Drafted By:

---

**BILL OF SALE**

KNOW ALL PERSONS BY THESE PRESENTS that the County of Genesee, acting by and through the Genesee County Drain Commissioner, as County Agency (the "Grantor"), pursuant to PA 342 of 1939, whose address is G-4610 Beecher Road, Flint, Michigan 48532, sells and transfers to the City of Flint, a Michigan Home Rule City, whose address is 1101 South Saginaw Street, Flint, Michigan 48502 ("Flint"), all of its rights, title, and interest in the following described property situated in Genesee County, Michigan, described as:

A 72" water transmission pipeline and associated appurtenances (the "Property") beginning at station 6.00 (located in the proximity of Baxter Road and Potter Road) and extending westerly under public roadways and public and private property to station 474+03, at which a main line valve is located, as evidenced by the documents attached hereto and incorporated herein as Exhibit A together with a water meter vault located at station 5+77.7 to station 6.00 (as evidenced by the documents in attached Exhibit A).

The water transmission pipeline is being conveyed without warranties of any kind, including, but not limited to, any warranty of title to the Property, any implied warranties of merchantability and fitness for a specific or general purpose and those arising by statute or by law or from a course of dealing or usage of trade, and is conveyed "AS IS", "WHERE IS", AND "WITH ALL FAULTS" physical condition, with no warranties, express or implied, with respect to the physical condition of the water transmission pipeline or the water meter vault.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

County of Genesee, acting by and through the Genesee  
County Drain Commissioner, as County Agency,  
Pursuant to PA 342 of 1939

By: \_\_\_\_\_  
Jeff Wright, Genesee County Drain Commissioner

STATE OF MICHIGAN     )  
  ) ss:  
COUNTY OF GENESEE    )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2017, by the County of Genesee, acting by and through the Genesee County Drain Commissioner, as County Agency, pursuant to PA 342 of 1939, Jeff Wright, Genesee County Drain Commissioner.

\_\_\_\_\_  
Notary Public, \_\_\_\_\_ County, Michigan  
Acting in \_\_\_\_\_, County, Michigan  
My commission expires: \_\_\_\_\_

**LICENSE OF 72 INCH MAIN**  
**BY**  
**CITY OF FLINT**  
**TO**  
**GREAT LAKES WATER AUTHORITY**



**LICENSE OF 72 INCH MAIN**

**BY**

**CITY OF FLINT**

**TO**

**GREAT LAKES WATER AUTHORITY**

This License of 72 Inch Main (the "*License*") is made as of November 1, 2017 (the "*Dated Date*") by the City of Flint, a Michigan municipal corporation (the "*City*") to Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended ("*GLWA*");

**RECITALS:**

**WHEREAS**, the City and the Karegnondi Water Authority ("*KWA*") entered into a Raw Water Supply Contract, dated June 28, 2013, as amended through date hereof, including by that certain Second Addendum dated the date hereof.

**WHEREAS**, the City, KWA, GLWA, the Michigan Department of Environmental Quality and GCDC (collectively, the "*Parties*") are entering into a Master Agreement governing a number of inter-related transactions among the Parties described therein (the "*Master Agreement*") all effective as of the effective date defined therein (the "*Effective Date*"), including execution of a Water Service Contract between the City and GLWA (as the same may be amended or supplemented, the "*Flint Contract*");

**WHEREAS**, as of the Effective Date, the City owns and controls the 72 Inch Main described in greater detail in Exhibit A, attached hereto and incorporated herein by reference, (the "*72 Inch Main*");

**WHEREAS**, pursuant to the transactions contemplated by the Master Agreement, and under the Flint Contract, the City is to provide GLWA with an exclusive license to the 72 Inch Main as described in greater detail therein;

**ACCORDINGLY**, for good and valuable consideration in accordance with the Master Agreement, the receipt and sufficiency of which are hereby acknowledged, the City hereby agrees as follows:

**Section 1.01 License of 72 Inch Main.** The City hereby grants to GLWA, at no additional charge, an exclusive license to use the 72 Inch Main to supply potable water. This license does not confer any rights to GCDC to tap new connections into 72 Inch Main to serve GLWA customers without the City's written approval, which shall not be unreasonably withheld. This license is granted for an initial term of thirty (30) years, subject to ten year renewals thereafter and shall, in any event, run concurrent with the terms of the Flint Contract.

**Section 1.02 Savings Clause.** If any provision of this License or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this License shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law. If any agreement or obligation contained in this License is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the City or GLWA, as the case may be, to the full extent permitted by law.

**Section 1.03 Agreement of Parties.** This License, the Irrevocable License of Essential Water Mains and Raw Water Rights (the "***Irrevocable License***"), and the Master Agreement contain the entire agreement between the parties thereto and all prior negotiations and agreements are merged into the agreement. Neither the City nor GLWA has made any representations except those expressly set forth in this License, the Irrevocable License, and the Master Agreement, and no rights or remedies are, or shall be, acquired by either party by implication or otherwise unless expressly set forth in this License, the Irrevocable License, and the Master Agreement.

**Section 1.04 Remedies and Governing Law.** The rights and remedies set forth in this License are not exclusive and are in addition to any of the rights or remedies provided by law or equity. This License and all actions arising under it shall be governed by, subject to, and construed according to the laws of the State of Michigan.

*(Signature on Next Page)*

**IN WITNESS WHEREOF**, this License is duly and irrevocably granted by the City to GLWA as of the Effective Date.

**CITY OF FLINT**

By: \_\_\_\_\_

Dr. Karen Weaver

Its: Mayor

STATE OF MICHIGAN            )  
  ) ss.  
COUNTY OF GENESEE         )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 2017, by Dr. Karen Weaver, Mayor of the City of Flint.

\_\_\_\_\_  
Notary Public, State of Michigan  
\_\_\_\_\_ County, Michigan  
Acting in the County of \_\_\_\_\_  
My commission expires: \_\_\_\_\_

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Exhibit A

Legal Description of 72 Inch Main

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See Attached.

**SUBLICENSE OF 72 INCH MAIN**  
**BY**  
**GREAT LAKES WATER AUTHORITY**  
**TO**  
**THE COUNTY OF GENESEE,**  
**Acting by and through the**  
**GENESEE COUNTY DRAIN COMMISSIONER,**  
**as County Agency**

**SUBLICENSE OF 72 INCH MAIN**  
**BY**  
**GREAT LAKES WATER AUTHORITY**  
**TO**  
**THE COUNTY OF GENESEE,**  
**Acting by and through the**  
**GENESEE COUNTY DRAIN COMMISSIONER,**  
**as County Agency**

This Sublicense of 72 Inch Main (the "*Sublicense*") is made as of November 1, 2017 (the "*Dated Date*") by the Great Lakes Water Authority, a Michigan municipal authority and public body corporate organized pursuant to the provisions of Act 233, Public Acts of Michigan, 1955, as amended ("*GLWA*") to the County of Genesee, acting by and through the Genesee County Drain Commissioner, as county agency ("*GCDC*");

**RECITALS:**

**WHEREAS**, the City of Flint, Michigan (the "*City*") and the Karegnondi Water Authority ("*KWA*") entered into a Raw Water Supply Contract, dated June 28, 2013, as amended through date hereof, including by that certain Second Addendum dated the date hereof.

**WHEREAS**, the City, KWA, GLWA, the Michigan Department of Environmental Quality and GCDC (collectively, the "*Parties*") are entering into a Master Agreement governing a number of inter-related transactions among the Parties described therein (the "*Master Agreement*") all effective as of the effective date defined therein (the "*Effective Date*"), including execution of a Water Service Contract between the City and GLWA (as the same may be amended or supplemented, the "*Flint Contract*");

**WHEREAS**, as of the Effective Date, the City owns and controls the 72 Inch Main described in greater detail in Exhibit A, attached hereto and incorporated herein by reference, (the "*72 Inch Main*");

**WHEREAS**, pursuant to the transactions contemplated by the Master Agreement, and under the Flint Contract and a separate Irrevocable License of Essential Water Mains and Raw Water Rights (the "*License*"), the City is providing GLWA with an exclusive license to the 72 Inch Main as described in greater detail therein;

**WHEREAS**, as of the Effective Date, GLWA and GCDC are entering into a Reciprocal Backup Water Service Contract (the "*Reciprocal Backup Agreement*"), pursuant to which GLWA agrees to provide Water (as defined therein) to GCDC and GCDC agrees to provide Water to GLWA, all as described in greater detail therein;

**WHEREAS**, under Section 2.03 of the Reciprocal Backup Agreement, GLWA will be the sole supplier of short-term wholesale potable water supply services to GCDC until at least September 30, 2017, while GCDC's water treatment plant is being completed; and

**WHEREAS**, for the avoidance of doubt, GLWA and GCDC wish to provide GCDC with a sublicense of the 72 Inch Main, to the extent necessary for the GCDC to receive and use short-term wholesale potable water supply services under Section 2.03 of the Reciprocal Backup Agreement;

**ACCORDINGLY**, for good and valuable consideration in accordance with the Master Agreement, the receipt and sufficiency of which are hereby acknowledged, GLWA hereby agrees as follows:

**Section 1.01 Sublicense of 72 Inch Main.** GLWA hereby grants to GCDC, at no additional charge, a non-exclusive sublicense to use the 72 Inch Main to the extent necessary for the GCDC to receive and use short-term wholesale potable water supply services under Section 2.03 of the Reciprocal Backup Agreement. This license does not confer any rights to GCDC to tap new connections into 72 Inch Main to serve GCDC customers without GLWA's written approval. This sublicense is temporary, non-exclusive and non-transferrable, and shall automatically expire, without action of either GLWA or GCDC, on the date short-term potable water supply services are discontinued under and in accordance with the provisions of Section 2.03 of the Reciprocal Backup Agreement. For the avoidance of doubt, GLWA acknowledges that (a) EC-1 and EC-2, as identified on Exhibit A to the Flint Contract, will remain following termination of this sublicense, and (b) [five] direct GCDC taps on the 72 Inch Main will remain during the period of this sublicense, all to be used for the provision of services as contemplated by the Reciprocal Backup Agreement.

**Section 1.02 Savings Clause.** If any provision of this Sublicense or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Sublicense shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law. If any agreement or obligation contained in this Sublicense is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of GLWA or GCDC, as the case may be, to the full extent permitted by law.

**Section 1.03 Agreement of Parties.** This Sublicense, the Reciprocal Backup Agreement, and the Master Agreement contain the entire agreement between the parties thereto and all prior negotiations and agreements are merged into the agreement. Neither GLWA nor GCDC has made any representations except those expressly set forth in this Sublicense, the Reciprocal Backup Agreement, and the Master Agreement, and no rights or remedies are, or shall be, acquired by either party by implication or otherwise unless expressly set forth in this Sublicense, the Reciprocal Backup Agreement, and the Master Agreement.

**Section 1.04 Remedies and Governing Law.** The rights and remedies set forth in this Sublicense are not exclusive and are in addition to any of the rights or remedies provided by law or equity. This Sublicense and all actions arising under it shall be governed by, subject to, and construed according to the laws of the State of Michigan.

**IN WITNESS WHEREOF**, this Sublicense is duly and irrevocably granted by GLWA to GCDC as of the Effective Date.

**GREAT LAKES WATER AUTHORITY**

By: \_\_\_\_\_  
Sue F. McCormick  
Its: Chief Executive Officer



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Exhibit A

Legal Description of 72 Inch Main

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See Attached.

**ESCROW INSTRUCTIONS**

November 1, 2017

Ann D. Fillingham  
Dykema Gossett PLLC  
201 Townsend Street, Suite 900  
Lansing, Michigan 48933

**RE: Master Agreement**

Dear Ms. Fillingham:

You have received or should receive signature pages to the above-referenced Master Agreement and the exhibits thereto for deposit into Dykema's DykemaConnect electronic data room. These documents are being posted to the data room with the understanding that:

1. Until notified in writing by Dykema, each and every document (except Exhibit D to the Master Agreement) on the data room should be considered as being held "in escrow" and while held in escrow shall be considered to be not released and not binding or effective on any party.
2. Once released from escrow, all transactions at the closing will be deemed to have taken place simultaneously and no transaction is deemed to have been completed and no document is deemed delivered unless and until all transactions are completed and all documents are delivered.
3. The documents may be held in escrow until December 29, 2017, pending receipt of all signature pages. If all signature pages are not received by December 29, 2017, at 12:00 noon EST, then our signature pages are to be returned.

If you have any questions concerning the foregoing, please do not hesitate to contact me.

*(Signatures on Next Page)*

Agreed to by:

**Department of Environmental Quality  
State of Michigan**

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By: Heidi C. Grether  
Its: Director

**Genesee County Drain Commissioner –  
Division of Water & Waste Services**

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By: Jeffrey Wright  
Its: Drain Commissioner

**Great Lakes Water Authority**

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By: Sue F. McCormick  
Its: CEO

**Karegnondi Water Authority**

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By: John F. O'Brien  
Its: Deputy Chief Executive Officer

# **EXHIBIT G**

**SECOND ADDENDUM TO  
RAW WATER SUPPLY CONTRACT BETWEEN THE KAREGNONDI WATER  
AUTHORITY AND THE CITY OF FLINT EFFECTIVE ON OCTOBER 1, 2013,  
AS AMENDED BY THE FIRST ADDENDUM EFFECTIVE MARCH 6, 2014**

THIS SECOND ADDENDUM ("Addendum") to the RAW WATER SUPPLY CONTRACT BETWEEN THE KAREGNONDI WATER AUTHORITY AND THE CITY OF FLINT EFFECTIVE ON OCTOBER 1, 2013, as amended by the FIRST ADDENDUM, EFFECTIVE MARCH 6, 2014 (hereafter the "Agreement") is executed and delivered as of the Effective Date of the Master Agreement to which this Addendum is attached as Exhibit G, by and between the Karegnondi Water Authority, a Michigan Public Authority created pursuant to Act 233 of the Michigan Public Acts of 1955, as amended (hereinafter "KWA"), whose address is G-4610 Beecher Road, Flint, Michigan 48532 and the City of Flint, a municipal corporation, of the State of Michigan (hereinafter "Flint"), whose address is 1101 South Saginaw Street, Flint, Michigan 48502. KWA and Flint are sometimes hereafter each referred to as a "Party" and collectively as the "Parties."

**WITNESSETH:**

**WHEREAS**, the Parties entered into a Raw Water Supply Contract, dated the 28<sup>th</sup> day of June, 2013, and effective on October 1, 2013;

**WHEREAS**, the Parties entered into a First Addendum to Raw Water Supply Contract, effective on March 6, 2014;

**WHEREAS**, the Parties have agreed to enter into this Addendum for the purpose of modifying ARTICLE II, Section 2.05; ARTICLE V, Section 5.07; and ARTICLE VII, Section 7.15 of the Agreement.

**NOW THEREFORE**, it is hereby agreed by the Parties as follows:

**1. Amendment to the ARTICLE II, Section 2.05 of the Agreement.** ARTICLE II, Section 2.05 of the Agreement is hereby deleted in its entirety and replaced with the following:

**"Section 2.05. Repair and Replacement of Components-Government Required Enhancements.** It is anticipated that repair and replacement of components of the System and enhancements required by government regulations will be in incremental, finite projects and that each such project will be financed by the Authority through operating revenues, the issuance of one or more series or issues of System Improvement Bonds, or any other lawful sources. Also, on its own initiative or at the request of the Buyer, the Authority may refund any Bonds that

were issued to construct, equip, operate, maintain and otherwise improve the System and any System facilities. The Authority agrees that such improvements for the System will be made in accordance with generally accepted engineering practices. It is anticipated that such improvements will be financed by the Authority through operating revenues, the issuance of one or more series or issues of System Improvement Bonds, or any other lawful sources, payable from and secured by the payments made under this Contract and/or any other lawful sources."

**2. Amendment to the ARTICLE V, Section 5.07 of the Agreement.** ARTICLE V, Section 5.07 of the Agreement is hereby deleted in its entirety and replaced with the following:

**"Section 5.07 Prompt Payment/Disputed Bills.** The Buyer hereby agrees that unless otherwise specified it will make payments required by this Contract to the Authority on or before the 30th day of each month immediately following the month in which the applicable monthly statement date occurs except for the month of February, in which case the monthly due day is the last date of the month of February. For example, if the applicable monthly statement date for water supplied in January is February 20 then the due date for such payment would be March 30. If the Buyer, at any time, disputes the amount to be paid by it to the Authority, the Buyer shall nevertheless promptly make such payment or payments; but, if it is determined by agreement or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Buyer will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by Buyer, or due and owing to the Buyer by the Authority, shall, if not paid when due, bear interest per annum at the maximum rate allowed by law from the date when due until paid."

**3. Amendment to ARTICLE VII, Section 7.15 of the Agreement.** ARTICLE VII, Section 7.15 of the Agreement is hereby deleted in its entirety.

**4. Notices.** Any notice, demand, or communication required, permitted or desired to be given under this Addendum shall be deemed effectively given pursuant to ARTICLE VII, Section 7.24 the Agreement.

**5. Headings.** The headings of the sections set forth in this Addendum are inserted for the convenience of reference only and shall be disregarded when construing or interpreting any of the provisions of this Addendum.

**6. Complete Agreement.** This Addendum, the Agreement and any additional or supplementary documents incorporated by specific reference contain all of the terms and conditions agreed upon by the Parties and no other agreements, oral or otherwise, regarding the subject matter of this Addendum or any part thereof shall have any validity or bind either of the Parties.

**7. Severability.** If any provision of this Addendum is held to be unenforceable for any reason, the unenforceability thereof shall not affect the remainder of this Addendum which shall remain in full force and effect and enforceable in accordance with its terms.

**8. Waiver.** No waiver of any of the obligations contained herein shall be effective for any purpose unless the same shall be in writing signed by the Chairperson of the Incorporating Board of the Karegnondi Water Authority and by Mayor or Emergency Manager, or both upon the Flint City Council or Emergency Manager's approval, whichever is applicable.

**9. Construction.** This Addendum has been prepared and negotiations have occurred in connection with said preparation pursuant to the joint efforts of the Parties. This Addendum therefore shall not be construed against either Party.

**10. Amendment.** This Addendum may not be amended or modified except for by written agreement signed by both Parties.

**11. Certification of Authority to Sign Addendum.** The persons signing on behalf of each of the Parties certify by their signatures that they are authorized to sign the Addendum on behalf of such Party and that this Addendum has been authorized by such Party.

**12. Remainder of Agreement.** Except as modified by this Addendum, the terms of the Agreement shall remain in full force and effect.

**[THIS SPACE INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, the Parties hereto have caused this Addendum to be executed and delivered by their respective duly authorized representatives as of the Effective Date of the Master Agreement to which this Addendum is attached as Exhibit G.

**KAREGNONDI WATER AUTHORITY**

By: \_\_\_\_\_  
John F. O'Brien, Deputy Chief Executive Officer

**ATTEST:**

\_\_\_\_\_

**CITY OF FLINT**

By: \_\_\_\_\_  
Karen Weaver, Mayor

**ATTEST:**

\_\_\_\_\_

Inez Brown, Clerk of the City of Flint



# EXHIBIT H

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STATE OF MICHIGAN  
RICK SNYDER, GOVERNOR  
EXECUTIVE OFFICE


**VALERIE BRADER**  
SPECIAL LEGAL COUNSEL

GEORGE W. ROMNEY BUILDING  
111 SOUTH CAPITOL AVENUE  
P.O. BOX 30013  
LANSING, MICHIGAN 48909

PHONE: 517-241-5597  
E-MAIL: [brader25@michigan.gov](mailto:brader25@michigan.gov)  
[www.michigan.gov](http://www.michigan.gov)

November 16, 2017

In the event the Flint City Council approves the Great Lakes Water Authority (GLWA) contract, the Governor's office would seek and does expect to receive the resignation of the member of the GLWA board representing customers outside of the counties of Wayne, Oakland and Macomb. If one or more Flint resident(s) who met all qualifications of the GLWA Articles of Incorporation and Bylaws applied to fill that vacancy, the Governor would appoint a Flint resident to that seat.

  
\_\_\_\_\_  
Valerie Brader  
Special Legal Counsel