

**INTERGOVERNMENTAL AGREEMENT RELATING TO DELIVERY OF RETAIL
WATER SERVICE TO HERONS LANDING SUBDIVISION**

THIS INTERGOVERNMENTAL AGREEMENT is made and entered into as of the ____ day of _____, 2011, and is by and between the **VILLAGE OF LONG GROVE**, an Illinois municipal corporation ("**Village**"), and the **COUNTY OF LAKE**, a body politic and corporate ("**County**") (collectively, the "**Parties**").

For and in consideration of the mutual covenants and promises hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 1: Recitals.

A. Article VII, Section 10 of the 1970 Constitution of the State of Illinois authorizes units of local government to contract or otherwise associate among themselves "to obtain or share services and to exercise, combine, or transfer any power or function, in any manner not prohibited by law or by ordinance" as well as to use their revenues, credit and other resources for intergovernmental activities.

B. The Intergovernmental Cooperation Act, 5 ILCS 220/1 *et seq.*, also authorizes the joint use and enjoyment of the powers, privileges, functions, and authority of local governments.

C. Division 15-5 of the Counties Code, 55 ILCS 5/5-15001 *et seq.*, authorizes the County to, *inter alia*, construct, operate, improve, and extend a waterworks system to provide water service to individuals or municipalities and to impose and collect charges for water service.

D. Division 129 of the Illinois Municipal Code, 65 ILCS 5/11-129, authorizes the Village to construct and operate waterworks and water supply systems within and without the corporate boundaries of the Village.

E. The Parties have authority to enter into this Agreement pursuant to the Article VII, Section 10 of the 1970 Constitution of the State of Illinois, the Intergovernmental Cooperation Act, and other applicable law.

F. The Parties desire to enter into this Agreement to provide an adequate water supply to the Herons Landing Subdivision ("**Herons Landing**"), which is located within the corporate limits of the Village.

G. Approximately 118 Lots in Herons Landing are currently developed and used for detached single-family residential purposes. These Lots are legally described in Exhibit A attached hereto, and depicted in Exhibit B attached to this Agreement.

H. Herons Landing currently obtains water service from individual private shallow wells, water odor and other issues exist in various areas of the subdivision.

I. The Village has enacted an Ordinance No. 2010-O-34 ("**SSA Proposing Ordinance**") proposing the establishment of a special service area ("**SSA**") for the

construction of water distribution facilities serving Herons Landing (“**Herons Landing Water SSA**”).

J. The Village and the County, through the Lake County Public Works Department (“**LCPWD**”), desire to construct a local water distribution system (“**Water System**”) capable of providing water service to Herons Landing through connection of the Water System to the County’s existing water distribution system.

K. The Water System shall provide Lake Michigan water service to Herons Landing, which requires a Lake Michigan water allocation from the Illinois Department of Natural Resources (“**IDNR**”).

L. The County has an existing Lake Michigan water allocation (“**County Water Allocation**”) that is sufficient to provide for water service to Herons Landing, and the Village has been issued a Lake Michigan Water Allocation Permit (“**Village Water Allocation**”) by IDNR that will allow the Village to begin using Lake Michigan water in 2015.

M. The Parties desire to enter into this Agreement to set forth their respective rights and responsibilities regarding the funding, design, construction, and installation of the Water System (the “**Project**”), as well as the future ownership, operation, and maintenance of the Water System.

N. In order to protect the integrity of the Water System, to protect the public health and safety, and otherwise to ensure that no improper cross-connections are made from the existing private wells to the new Water System, the Parties will require that, as part of the Project, initial connections of individual Lots to the Water System be undertaken and overseen by the County in accordance with this Agreement.

O. The Parties, through their corporate authorities, have approved this Agreement in order to advance the health, safety, and welfare of the public and particularly the residents of Herons Landing.

Section 2: Definitions.

Whenever used in this Agreement, the following terms shall have the following meanings unless a different meaning is required by the context:

Bonds: Any bonds, notes, indentures, or other debt instruments issued by the Village and payable exclusively through the SSA Taxes generated pursuant to the Herons Landing Water SSA. The terms and rights pertaining to any Bonds will be set forth in a Bond Ordinance. Bonds may be issued in separate series, and different series of bonds may or may not be on par with other series of Bonds as provided in the Bond Ordinances. The term “Bonds” includes both the Taxable Bonds and the Tax-Exempt Bonds.

Bond Ordinance: Collectively, one or more ordinances that may be enacted by the Village authorizing the issuance of Bonds, from time to time, in one or more series and in accordance with this Agreement and on such other terms as are acceptable to the Village, in its sole direction.

Bond Trustee: Any person or entity designated by the Village to manage and distribute the proceeds of the Bonds, in accordance with this Agreement and the Bond Ordinance.

Buffalo Box: The equipment used to control the movement of water from a public water main of the Water System into the private water lines on a Lot.

Corporate Authorities: The President and Board of Trustees of the Village.

County Authorities: The Chairman and Board of Lake County.

Effective Date: The date on which both Parties execute this Agreement.

Lot: A lot of record (as defined in the Village Zoning Code) located in Herons Landing, except Lots 30, 120, 121, and 122.

Owner: The record owner of any Lot.

Project: The design, bidding, construction, and installation of the Water System, including all Public Improvements and Private Improvements.

Public Improvements: The design, construction, and installation of all water mains and associated water distribution and storage facilities, metering facilities or equipment, and other related facilities or equipment necessary to extend water service from the terminus of the existing County water system into and throughout Herons Landing, extending to and including the Buffalo Box for each individual Lot.

Private Improvements: The design, construction, and installation of the following improvements on each Lot: (i) a water service line extending from the Buffalo Box into the interior of the residence, (ii) a water meter and required check valves, (iii) a connection from the water service line to the interior potable water line, (iv) fill and seeding of all external excavation, and (v) internal restoration necessary to return the residence to minimum Building Code compliance. The Private Improvements shall not include any additional interior or exterior restoration, finishing, or cosmetic work, including without limitation repair or replacement of patios, decks, landscaping, drywall, or flooring material. However, reasonable efforts shall be made to minimize the amount of disruption to existing internal and external improvements resulting from installation of the Private Improvements. The Private Improvements also shall not include removal of any existing water treatment tanks, equipment, or piping on the Lot. Typical internal plumbing modifications relating to the installation of the Private Improvements are depicted in Exhibit C.

SSA Tax: Taxes levied by the Village pursuant to the Herons Landing Water SSA.

Taxable Bonds: Those Bonds that may be issued in connection with the Herons Landing Water SSA, the interest from which is not anticipated to be exempt from federal taxation. The proceeds from the Taxable Bonds are intended to pay for the Private Improvements.

Tax-Exempt Bonds: Those Bonds that may be issued in connection with the Herons Landing Water SSA, the interest from which is anticipated to be exempt from federal taxation. The proceeds from the Tax-Exempt Bonds are intended to pay for the Public Improvements.

Section 3: Obligations of the Parties; In General.

A. Village Obligations. As more fully set forth in and subject to this Agreement, the Village shall be responsible for: establishing the Herons Landing Water SSA; issuing Bonds for the Project; applying the proceeds of the Bonds to the costs and expenses relating to the Project; levying SSA Taxes; conveying the Water System to the County upon completion of the Project; and otherwise performing such obligations as set forth in this Agreement.

B. County Obligations. As more fully set forth in and subject to this Agreement, the County shall be responsible for: the design, bidding, construction, and installation of the Public Improvements and Private Improvements; acceptance of the conveyance of the Water System from the Village; and the operation and maintenance of the Water System following such conveyance, as well as performing such obligations as set forth in this Agreement. In conjunction with its responsibilities for the Project, the County shall:

1. complete the Project in a good and workmanlike manner and in compliance with all applicable federal, State, and local statutes, ordinances, regulations, codes, and rules. All Project-related work shall be performed with due dispatch once commenced.
2. be responsible for obtaining and complying with all necessary federal, State, and local permits and approvals and for procuring all necessary contractor services. In addition, all engineering review and approvals (including construction engineering inspectional services) shall be provided by and under the control of the County. Notwithstanding the foregoing, all road restoration work undertaken in connection with the Water System shall be subject to inspection and approval by the Village Engineer.

Section 4: Phasing. The Parties acknowledge that pursuit of the Project has been based on certain assumptions regarding the cost for completing the Project. The Parties further acknowledge that the actual costs for the Project cannot be ascertained until certain activities have been undertaken and completed, and that such activities will require the incurrence of costs and expenses by each of the Parties. The Parties also acknowledge and agree that, in the event that the actual costs of the Project materially exceed the cost assumptions, the commencement of construction and installation of the Project may not be feasible. Accordingly, the Parties agree that their respective obligations under this Agreement shall be sequenced as follows:

A. SSA Establishment. Pursuant to the SSA Proposing Ordinance, the Village has initiated proceedings for establishment of the Herons Landing Water SSA. Prior to the County undertaking any activities in furtherance of the Project, the Village shall adopt and record an "**SSA Establishing Ordinance**," formally establishing the Herons Landing Water SSA. If the Village does not establish the Herons Landing Water

SSA within 35 days after the Effective Date of this Agreement, the County may terminate this Agreement by notifying the Village of such termination, which termination shall be effective seven days after such notice unless the Village shall have adopted and recorded the SSA Establishing Ordinance prior to the effective date of such termination.

B. Prepayment Option. Within 7 days after the adoption and recordation of the SSA Establishing Ordinance, the Village will notify all Owners of their opportunity to prepay their share of the SSA Taxes based on the Engineer's Preliminary Opinion of Probable Cost ("**Probable Cost Opinion**"), set forth in Exhibit D attached to this Agreement (the "**Prepayment Amount**"). The Village will provide for a period of not more than 30 days during which any Owner can unconditionally commit to prepay SSA Taxes, subject to a determination to proceed with the Project in accordance with Section 4.H of this Agreement ("**Prepayment Commitments**"). Any Prepayment Commitment shall be secured by a deposit paid to the Village in the amount of 25% of the Prepayment Amount (the "**Prepayment Deposit**").

C. Issuance of Bonds. The Village shall adopt any and all appropriate ordinances, and undertake all such other actions necessary to permit the Village to issue: (i) the Tax-Exempt Bonds in an amount of approximately \$2,470,752, which the Parties estimate to be sufficient to fund the design, construction, and installation of the Public Improvements; and (ii) the Taxable Bonds in an amount of approximately \$768,200, which the Parties estimate to be sufficient to fund the design, construction, and installation of the Private Improvements, but in no even more than \$3,000,000 total in Bonds. The Bonds will have terms that are consistent with the SSA Establishing Ordinance and acceptable to the Village. The Village shall not issue the Taxable Bonds unless the Tax-Exempt Bonds have previously been issued or will be issued concurrently with the Taxable Bonds. The amounts of the Bonds as set forth in this subsection may be adjusted to reflect any Prepayment Commitments, and such amounts may be further adjusted by mutual written agreement of the Parties. If within **[180]** days after the Effective Date of this Agreement the Village does not issue the Bonds as provided in this Section 4.C, the County may terminate this Agreement by notifying the Village of such termination, which termination shall be effective seven days after such notice unless the Village shall have issued the Bonds in accordance with this Section 4.C prior to the effective date of such termination. The proceeds of the sale of the Bonds after payment of all Bond issuance costs [including without limitations attorney's fees and other expenses associated with the Herons Landing Water SSA and the issuance and sale of the Bonds (including without limitation capitalized interest and reserve amounts, if any)](the "**Net Bond Proceeds**") shall be deposited with the Bond Trustee to be used for the payment of Project costs as provided in this Agreement. Nothing in this Agreement shall preclude the County from serving as the Bond Trustee, and in the event the County does serve as Bond Trustee, the County agrees to do so without compensation for such trustee services. The Bond Trustee shall separately account for the Net Bond Proceeds attributable to the Tax-Exempt Bonds (the "**Tax-Exempt Account**") and the Net Bond Proceeds attributable to the Taxable Bonds (the "**Taxable Account**"). Disbursements from the Net Bond Proceeds related to the Public Improvements shall be recorded against the Tax-Exempt Account, and disbursements related to the Private Improvements shall be recorded against the Taxable Account.

D. Project Engineering. Following the establishment of the Herons Landing Water SSA the County shall undertake the design of the Water System in accordance with this Agreement, which design work shall include the bidding for the Project. The

County shall bear the cost for such engineering expenses, subject to being reimbursed by the Village pursuant to Section 5 and proportionately from the Net Bond Proceeds and Prepayment Deposits. Whenever seeking reimbursement for engineering expenses related to the Project, the County shall set forth that amount attributable to the Public Improvements and the amount attributable to the Private Improvements.

E. Easement Acquisition. Following the establishment of the Herons Landing Water SSA and prior to Project bidding, the Village shall make good faith efforts to secure necessary utility easements for the Water System. The Village and County shall cooperate for purposes of ascertaining the location, scope, and size of such easements. In the event that the Village is unable to secure such easements, the Village shall notify the County and thereupon cancel or terminate this Agreement, subject to reimbursement to the County of all costs incurred by the County in accordance with this Agreement.

F. License Agreements for Private Improvements. Following the establishment of the Herons Landing Water SSA, the Village shall seek from the Owners of each Lot the execution of a license agreement in exactly the form attached as Exhibit E to this Agreement (the "**License Agreement**") for purposes of allowing the County to construct and install the Private Improvements on such Lot.

1. The receipt and delivery of a properly executed License Agreement for a Lot is a pre-condition to the County pursuing the Private Improvements upon such Lot. No Owner shall be required to utilize the water provided through the Water System as a condition of the execution of a License Agreement or the installation of the Private Improvements on the Owner's Lot.
2. In the event that an Owner of a Lot fails to deliver a License Agreement to the Village within 60 days after the establishment of the SSA, the Parties shall have the right to treat such failure as a determination not to connect immediately to the Water System and a waiver of any reimbursement of costs otherwise associated with such connection. If the Owner of any Lot determines not to connect immediately to the Water System, the Parties shall have no obligation to connect the Lot to the Water System and any future connection of the Lot to the Water System shall be completed by the Owner at the Owner's sole expense and subject to payment of any permit and inspection fees required by the County. The County shall not require the Owner to pay any connection fee for a future connection to the Water System.
3. The parties acknowledge that construction and installation of the Private Improvements may cause damage to trees and vegetation, patios, decks, and other existing landscaping and improvements on the Lots. The County agrees to use best efforts to avoid or minimize damage to Lots but does not guarantee that damages will not occur. The County is not responsible for any repair or restoration work outside the scope of the Private Improvements. As provided in the License Agreement, an Owner who wishes to raise a complaint relating to the work or restoration performed by the County on a Lot must deliver the complaint in writing to the County within 180 days after the completion of the work giving rise to

the complaint; provided that, if such complaint is delivered to the Village, the Village will forward such complaint to the County within seven days after its receipt.

G. Application for Service. Following the establishment of the Herons Landing Water SSA, the Village shall also seek from the Owners of each Lot the execution of an irrevocable request to connect to and become a customer of the Water System, in exactly the form attached as Exhibit F to this Agreement (the "**Application for Service**"). The receipt and delivery of an Application for Service from an Owner is a pre-condition to the Owner's use of water provided through the Water System but is not a pre-condition to the County pursuing the Private Improvements upon the Owner's Lot. In the event that the Village does not receive and deliver both License Agreements and Applications for Service properly executed by the Owners of at least 75% of the Lots within 60 days after the establishment of the SSA, the County shall have the right (but not the obligation) to cancel or terminate this Agreement, subject to reimbursement to the County of all costs incurred by the County in accordance with this Agreement, by providing notice to the Village prior to the Parties' "Determination to Proceed" pursuant to Section 4.H.

H. Project Bidding. Upon the opening of bids for the Project, the County shall identify the lowest responsible bidder (the "**Project Bid**") and present the Project Bid to the Village for review. The Parties shall evaluate the cost of the Project Bid in light of the Net Bond Proceeds and thereupon determine whether to proceed with the Project ("**Determination to Proceed**").

1. In the event that the cost of the Project Bid together with such other costs associated with proceeding with the Project (including without limitation Project engineering costs, permit costs, connection fees, and inspection expenses)(the "**Project Costs**") are less than the remainder of the Net Bond Proceeds plus the amount of Prepayment Commitments, the County shall proceed with the Project construction and installation activities as hereinafter provided.
2. In the event that the Project Costs exceed the remainder of the Net Bond Proceeds plus the amount of Prepayment Commitments, the Parties shall confer about alternative approaches for either reducing Project Costs or seeking additional moneys to finance the Project (including without limitation seeking authorization for additional Bonds issued by the Herons Landing Water SSA).
 - a. If the Parties mutually agree upon an approach to pay for the entire Project Costs (as the Project Costs may be modified pursuant to this Section 4.H.2), the County shall proceed with the Project construction and installation activities as hereinafter provided.
 - b. If the Parties cannot mutually agree as provided in Section 4.H.2.a, or if this Agreement is cancelled or terminated by the County pursuant to Section 4.G, then, after paying any outstanding costs and expenses incurred as part of the Project engineering activities under Section 4.D of this Agreement and

any other expenses incurred by the Parties in connection with the activities relating to this Agreement (which payments shall be made proportionately from the Net Bond Proceeds and the Prepayment Deposits), the Village shall cause the remainder of the Net Bond Proceeds to be applied to the payment of outstanding Bonds and shall discharge the Prepayment Commitments as follows:

- i. To the extent that the Prepayment Deposits are insufficient to cover the proportionate costs of the Project engineering under Section 4.D and any other expenses incurred in connection with this Agreement, then the Village shall require the Owners who made a Prepayment Commitment to supplement their Prepayment Deposits to cover such proportionate costs. Upon receipt of such supplemental Prepayment Deposits, the Village shall discharge and release the Prepayment Commitments of such Owners.
- ii. To the extent that the Prepayment Deposits are sufficient to cover the proportionate costs of the Project engineering under Section 4.D and any other expenses incurred in connection with this Agreement, then the Village shall return any excess amounts of the Prepayment Deposits to the Owners who made such deposits and discharge and release the Prepayment Commitments of such Owners.

I. Other Revenue Sources. In the event that the Owners of the Lots, individually or collectively, provide to the Village other funding with respect to the Project, the Village agrees to make such other funding available to pay Project Costs. The Parties acknowledge that it is desirable that any such other funding be first used to pay Village costs and to defray costs that would otherwise be chargeable to the Taxable Account, but any such funds shall ultimately be used pursuant to the agreement of the Parties.

J. Collection of Prepayment Amounts. Immediately following the Determination to Proceed, the Village shall cause those Owners who made Prepayment Commitments to deliver the full Prepayment Amounts (less any Prepayment Deposits). The Prepayment Amounts shall be delivered to the Bond Trustee, who shall allocate the Prepayment Amounts to the Taxable Account and the Tax-Exempt Account as directed by the Village. The Prepayment Amounts so delivered to the Bond Trustee shall thereafter be used in the same manner as the Net Bond Proceeds.

K. Project Construction and Installation. Following the Determination to Proceed, the County shall promptly cause the construction and installation of the Project to commence and thereafter proceed continuously to completion. The County shall bear the cost for such Project construction and installation expenses, subject to being reimbursed by the Village pursuant to Section 5 and proportionately from the Net Bond Proceeds and Prepayment Deposits.

L. Project Completion and Certification; Conveyance. Following the completion of the Project construction and installation activities, the County shall certify

to the Village that the Project has been completed. Within 60 days after the Village receives the certification of completion from the County, the Village shall take all actions necessary and appropriate to convey the Water System to the County by bill of sale and any appurtenant easement or related rights by quitclaim deed for \$10.00, subject to the terms of this Agreement (the "**Conveyance Documents**"). Within 60 days after the delivery of the Conveyance Documents, the County shall accept such Conveyance Documents and the ownership of the Water System. Upon such conveyance, the County shall exercise all ownership and control over the Water System, subject to the terms of this Agreement.

Section 5: Payment of Project Expenses.

A. Disbursements of Net Bond Proceeds and Prepayment Amounts. Upon delivery of a proper request from the County for reimbursement of the Project Costs or a portion thereof, the Village shall direct the Bond Trustee to reimburse the County from the Taxable Account or the Tax-Exempt Account, as appropriate, incurred by the County, upon submission of a certification of such Project Costs to the Bond Trustee, with a copy to the Village. The County must separately certify the costs payable from the Tax-Exempt Account and the costs payable from the Taxable Account.

B. Cost Overruns; Additional SSA Taxes. In the event that the Project Costs exceed the Net Bond Proceeds and Prepayment Amounts (the "**Excess Project Costs**"), and to the extent that the Village has not exhausted its taxing authority under the SSA Establishing Ordinance, the Village will levy "**Additional SSA Taxes**" to reimburse the County for the Excess Project Costs. The amount of such Additional SSA Tax annual levy will be the lesser of: (i) an amount sufficient to reimburse the County's Excess Project Costs over a 3-year period, or (ii) the maximum annual tax levy authorized by the SSA Establishing Ordinance, until the Additional SSA Taxes equal the Excess Project Costs. Upon receipt of payment of the Additional SSA Taxes, the Village shall deliver such Additional SSA Taxes to the County.

C. Cost Overruns; User Fee Surcharge. In the event that the Village has exhausted its taxing authority under the SSA Establishing Ordinance and cannot generate Additional SSA Taxes to cover the full amount of Excess Project Costs, the County shall assess, and the Village hereby authorizes the County to assess, a special "**Capital Cost Surcharge**" on the water bills of customers of the Water System that will yield a sum sufficient to reimburse the County for any outstanding Excess Project Costs, plus interest at a rate of 6%, but such Capital Cost Surcharge shall not exceed \$20.00 per customer per month.

Section 6: Water System Operation and Maintenance.

A. In General. Except as otherwise provided in this Agreement, the County shall operate and maintain the Water System consistent with the County's operation of water systems in other similarly situated service areas.

B. User Fees: Consistent with the County's standard practices, each Lot will be metered separately, and invoices for water service will be regularly issued to the person in whose name the water service account is maintained ("**Account Holder**") by the County. The County will establish a fee schedule for water service that provides for the following charges:

1. A base rate for water usage, plus standard fees or surcharges, comparable to the rates and fees or surcharges charged to customers in similarly situated service areas;
2. A fee or surcharge sufficient to cover the reasonable costs of Water System inspections performed by the County, as provided in Section 7;
3. To the extent there are any expenses uniquely and specifically related to the Water System, a fee or surcharge sufficient to cover such expenses;
4. Any Capital Cost Surcharge as authorized pursuant to Section 5.C of this Agreement.

C. Service Termination: The County may terminate service to any Lot for: (i) non-payment of user fees, (ii) violation of any law, ordinance, rule, or regulation governing use of the Water System (including conservation regulations as provided in Section 6.D of this Agreement), or (iii) failure to permit any inspection authorized by Section 7. Prior to terminating water service to any Lot, the County shall:

1. Provide a first written notice stating the basis for service termination. In the event that service is being terminated for non-payment of user fees, the first notice shall be sent 5 days following the date on which such payment was due;
2. Provide a second written notice stating the basis for service termination to the Account Holder by first-class mail at least 14 days prior to terminating water service; and
3. Post a notice stating the basis for service termination in a conspicuous location on the Lot at least 1 day prior to terminating water service.

D. Water Conservation Regulations. Prior to the completion of the Project construction and installation, both Parties agree to establish by ordinance water conservation regulations that are consistent with 17 Ill. Adm. Code 3730.307. The Village shall establish water conservation regulations and that are no less stringent than those established by the County, as set forth in Exhibit G to this Agreement. In the event that the County amends its water conservation regulations during the term of this Agreement to make them more stringent, the Village agrees to adopt a comparable amendment to its water conversation regulations within 90 days after notice from the County. All Water System customers shall be subject to the generally applicable water conservation regulations of the County and Village. Nothing in this Agreement shall be construed to prevent the Village from establishing more stringent conservation regulations than those of the County. If either Party fails to adopt water conservation policies as required by this Subsection prior to the issuance of Public or Taxable Bonds, this Agreement shall terminate.

Section 7: Continued Use of Private Wells; Interconnection Prohibited; Water System Inspections.

A. In General. The Parties acknowledge that the residents of Herons Landing currently obtain water from private shallow wells, and nothing in this Agreement

shall be construed to require any resident to connect to the Water System, except as provided in Section 7.E. Residents who connect to the Water System shall have the right to continue to use water drawn from such private wells only for irrigation and fire suppression purposes, subject to the terms of this Agreement. The Parties further acknowledge that, to avoid contamination of the Water System, interconnection between the Water System and any portion of a private well system (or associated water distribution or storage facilities and equipment) shall be prohibited. To ensure the ongoing protection of the public health, safety, and welfare, and to preserve the integrity of the Water System, inspections shall be undertaken in accordance with Section 7.D for the benefit of the public and not for the benefit of any Lot or the Owner or occupant thereof. Nothing in this Section 7.A shall be deemed to modify, or excuse compliance with, applicable laws, codes, ordinances, or regulations.

B. Interconnection Regulations. Prior to the completion of the Project construction and installation activities, the Parties shall mutually prepare and each shall adopt regulations (i) prohibiting interconnections between the Water System and private well systems, and (ii) requiring periodic inspections of the Lot and its water connections and plumbing to ensure that no interconnection exists between the Water System and any private well or other water source. Such regulations shall provide for fines of up to \$750 per violation per day.

C. Detection of Interconnection Violations. If either Party determines that an interconnection exists between the Water System and any portion of a private well system on any Lot, that Party may impose any penalties provided by its interconnection regulations. In addition, such Party shall notify the other Party of any such violation.

D. Inspections. Following the connection of any Lot to the Water System, the County shall conduct regular inspections of the Water System and all interior or exterior plumbing located on the Lot to ensure that no interconnections exist between the Water System and any private well or other water source. Inspections shall be limited to matters relating to the water, storm sewer, and sanitary sewer systems on the Lot. The County shall provide prior notice, in accordance with its standard practices, to any Owner before conducting an inspection on such Lot. The County shall be entitled to impose a reasonable charge to recover the costs of such inspections as provided in Section 6.B.2 of this Agreement. An Owner's refusal to allow the County to conduct any such inspection shall be grounds for termination of service from the Water System in accordance with Section 6.C of this Agreement.

E. Water Quality Assessment Upon Transfer of Ownership. Upon completion of the Project, the County may record a Notice of Public Water Availability ("**Notice of Availability**") against any Lot that has not been connected to the Water System. To protect the public health, safety, and welfare and ensure the integrity of the Water System, the Village shall enact an ordinance providing that prior to transferring ownership of a Lot against which a Notice of Availability has been recorded, the Owner must either:

1. Connect to the Lot to the Water System, or
2. Demonstrate that the private well and treatment system on the Lot meet the water quality standards then applicable to public water systems by causing the well and water treatment system to be inspected and tested

by an independent testing agency that is certified by the County and delivering the results of that test to the County.

Section 8: Lake Michigan Water Allocation.

A. In General. The Parties acknowledge that the water to be provided to Herons Landing by the Water System will be Lake Michigan water, and that such use of Lake Michigan water requires an IDNR allocation. Water for service to Herons Landing shall be drawn first from the Village Water Allocation, to the extent that it is available. To the extent that the Village Water Allocation is unavailable or insufficient, water for service to Herons Landing shall be drawn from the County Water Allocation.

B. County Water Allocation Compliance. To the extent that water is drawn under the County Water Allocation, the County shall be responsible for ensuring compliance with all terms and conditions of use of such water, including any reporting requirements. The Village shall not unreasonably interfere with the County's ability to comply with any such term or condition.

C. Village Water Allocation Compliance. To the extent that water is drawn under the Village Water Allocation, the County shall be responsible for ensuring compliance with all data collection and reporting required in connection with the use and administration of any water drawn under the Village Water Allocation, including but not limited to the requirements of 17 Ill. Adm. Code 3730.309. To the extent that the County incurs expenses that are uniquely and specifically related to the Water System, the County may impose a fee or surcharge sufficient to cover such expenses, as provided in Section 6.B.3 of this Agreement.

Section 9: Term and Termination.

Except as otherwise provided in Section 10 of this Agreement, this Agreement shall remain in full force and effect from the Effective Date for a term of 40 years. Notwithstanding any expiration or termination, each Party remains obligated to pay any costs due to the other Party under this Agreement as of the date of expiration or termination.

Section 10: Breach; Enforcement. In the event of a material breach by either party of any term of this Agreement, the non-breaching party shall notify the breaching party of the nature of such breach in accordance with Section 11 of this Agreement. In the event that the breaching party shall not have cured such breach within 30 days (or, if such breach is not capable of reasonably being cured within such 30-day period, such longer period of time not to exceed 90 days, provided that the breaching party immediately commences and diligently pursues such cure to completion), then the non-breaching party may:

- a. terminate this Agreement upon a further written notice in accordance with Section 11 hereof; or
- b. file an action in any court of competent jurisdiction, whether at law or in equity (including actions for mandamus), to secure the specific performance of the covenants and agreements herein contained and/or to be awarded damages for failure of performance; or

c. both.

No action taken by any party hereto pursuant to the provisions of this Section 10 or pursuant to any other provisions of this Agreement shall be deemed to constitute an election of remedies, and all remedies set forth in this Agreement shall be cumulative and non-exclusive of any other remedy either set forth herein or available to any party at law or in equity.

Section 11: Notices.

Any notice or communication required or permitted to be given under this Agreement shall be in writing and shall be delivered (i), personally, (ii) by a reputable overnight courier, (iii) by certified mail, return receipt requested, and deposited in the U.S. Mail, postage prepaid, (iv) by facsimile, or (v) by electronic internet mail ("**e-mail**"). Facsimile notices shall be deemed valid only to the extent that they are (a) actually received by the individual to whom addressed and (b) followed by delivery of actual notice in the manner described in either (i), (ii) or (iii) above within three business days thereafter at the appropriate address set forth below. E-mail notices shall be deemed valid and received by the addressee thereof when delivered by e-mail and (a) opened by the recipient on a business day at the address set forth below, and (b) followed by delivery of actual notice in the manner described in either (i), (ii) or (iii) above within three business days thereafter at the appropriate address set forth below. Unless otherwise expressly provided in this Agreement, notices shall be deemed received upon the earlier of (a) actual receipt; or (b) one (1) business day after deposit with an overnight courier as evidenced by a receipt of deposit; or (b) three (3) business days following deposit in the U.S. mail, as evidenced by a return receipt. By notice complying with the requirements of this Section, each party shall have the right to change the address or the addressee, or both, for all future notices and communications to such party, but no notice of a change of addressee or address shall be effective until actually received.

Notices and communications to the Village shall be addressed to, and delivered at, the following address:

Village of Long Grove
3110 Old McHenry Road
Long Grove, Illinois 60047
Attention: Village Manager David A. Lothspeich

Notices and communications to the County shall be addressed to, and delivered at, the following address:

County of Lake
18 North County Street
Waukegan, Illinois 60065
Attn: County Administrator Barry Burton

and

Lake County Department of Public Works
650 West Winchester Road

Libertyville, Illinois 60048
Attn: Director of Public Works Peter E. Kolb, P.E.

Section 12: Compliance with Laws.

Each Party agrees to observe and comply with all applicable federal, State, and local laws, statutes, codes, regulations, and ordinances.

Section 13: Mutual Indemnification.

A. The County agrees to, and does hereby, hold harmless and indemnify the Village, the Village's Corporate Authorities, and all Village elected or appointed officials, officers, employees, agents, representatives, engineers, and attorneys, from any and all claims that may be asserted at any time against any of such parties in connection with the performance by the County of its obligations under this Agreement, except as may be caused by the Village's gross negligence or willful misconduct.

B. The Village agrees to, and does hereby, hold harmless and indemnify the County, LCPWD, and all County elected or appointed officials, officers, employees, agents, representatives, engineers, and attorneys, from any and all claims that may be asserted at any time against any of such parties in connection with: (i) the performance by the Village of its obligations under this Agreement, except as may be caused by the County's gross negligence or willful misconduct, and (ii) the imposition of any surcharges on Water System customers in accordance with this Agreement, as described in Sections 5.C and 6.B.

Section 14: General Provisions.

A. Time of the Essence. Time is of the essence in the performance of all terms and provisions of this Agreement.

B. Rights Cumulative. Unless expressly provided to the contrary in this Agreement, each and every one of the rights, remedies and benefits provided by this Agreement shall be cumulative and shall not be exclusive of any other such rights, remedies and benefits allowed by law.

C. Non-Waiver. Neither Party shall be under any obligation to exercise any of the rights granted to it in this Agreement. The failure of any Party to exercise at any time any such right shall not be deemed or construed to be a waiver thereof, nor shall such failure void or affect that Party's right to enforce such right or any other right.

D. Consents. Whenever the consent or approval of any Party hereto is required in this Agreement such consent or approval shall be in writing and shall not be unreasonably withheld or delayed.

E. Governing Law. This Agreement shall be governed by, and enforced in accordance with the internal laws, but not the conflicts of laws rules, of the State of Illinois.

F. Severability. It is hereby expressed to be the intent of the Parties that should any provision, covenant, agreement, or portion of this Agreement or its application to any person, entity, or property be held invalid by a court of competent jurisdiction, the remaining provisions of this Agreement and the validity, enforceability, and application to any person, entity, or property shall not be impaired thereby, but such remaining provisions shall be interpreted, applied, and enforced so as to achieve, as near as may be, the purpose and intent of this Agreement to the greatest extent permitted by applicable law. Notwithstanding the foregoing, to the extent that any provision of this Agreement is held to be invalid so as to prevent the issuance of the Bonds, this Agreement shall be deemed void and terminated.

G. Entire Agreement; Counterparts. This Agreement constitutes the entire agreement between the Parties and supersedes any and all prior agreements and negotiations between the Parties, whether written or oral, relating to the subject matter of this Agreement. This Agreement may be signed in counterparts, and such counterparts shall collectively constitute the entire Agreement.

H. Grammatical Usage and Construction. In construing this Agreement, feminine or neuter pronouns shall be substituted for those masculine in form and vice versa, and plural terms shall be substituted for singular and singular for plural, in any place in which the context so requires.

I. Interpretation. This Agreement shall be construed without regard to the identity of the Party who drafted the various provisions of this Agreement. Moreover, each and every provision of this Agreement shall be construed as though both Parties to this Agreement participated equally in the drafting of this Agreement. As a result of the foregoing, any rule or construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

J. Headings. The table of contents, heading, titles, and captions in this Agreement have been inserted only for convenience and in no way define, limit, extend, or describe the scope or intent of this Agreement.

K. Exhibits. Exhibits A through F attached to this Agreement are, by this reference, incorporated in and made a part of this Agreement. In the event of a conflict between an exhibit and the text of this Agreement, the text of this Agreement shall control.

L. Amendments and Modifications. No amendment or modification to this Agreement shall be effective unless and until it is reduced to writing and approved and executed by both Parties in accordance with all applicable statutory procedures.

M. Changes in Laws. Unless otherwise explicitly provided in this Agreement, any reference to any Requirements of Law shall be deemed to include any modifications of, or amendments to such Requirements of Law as may, from time to time, hereinafter occur.

N. Calendar Days and Time. Any reference herein to "day" or "days" shall mean calendar and not business days. If the date for giving of any notice required to be given hereunder or the performance of any obligation hereunder falls on a Saturday,

Sunday or Federal holiday, then said notice or obligation may be given or performed on the next business day after such Saturday, Sunday or Federal holiday.

O. No Third Party Beneficiaries. No claim as a third party beneficiary under this Agreement by any person, firm or corporation shall be made, or be valid, against the Village or the County.

ATTEST:

Village Clerk

VILLAGE OF LONG GROVE

By: _____
President

ATTEST:

Lake County Clerk

COUNTY OF LAKE

By: _____
Lake County Board Chair

EXHIBIT A

Legal Description of Herons Landing

EXHIBIT B

Depiction of Herons Landing

EXHIBIT C

Depiction of Typical Internal Plumbing Modifications

EXHIBIT D

Engineer's Preliminary Opinion of Probable Cost

EXHIBIT E

License Agreement Form

EXHIBIT F

Application for Service

EXHIBIT G

County Water Conservation Ordinance