

## **CONSERVANCY DISTRICT OPERATION AGREEMENT**

This Agreement is entered into this \_\_\_\_ day of March, 2012, between Textron Inc. ("Textron") and the South Richland Conservancy District ("District").

Whereas, the District has been established under I.C. 14-33-1 et seq. for the purpose of providing water supply, including treatment and distribution for domestic purposes; provided, however, not for fire protection or for general outdoor use; and

Whereas, the District, by and through its Board of Directors ("Board"), believes that the District's purpose can be best accomplished by extending the City of Rochester's water main to the District's boundary; and

Whereas, Textron, by virtue of groundwater impacts associated with operations from its former Torx facility desires to provide to the District at no cost to the District the water line as an alternative source of potable water to the existing private wells in the District; and

Whereas, Textron has offered to be responsible for the costs associated with the District's water main extension and the District's distribution system ("District's System") and the cost associated with the operation of the District's System and at completion of the construction to donate the District's System to the District; and

Whereas, the Board believes that it is in the best interest of the District's freeholders and customers to accept Textron's offer and permit Textron to construct the District's System and to pay for the District's System's operation and maintenance.

Therefore, the parties agree as follows:

- (1) Textron shall be responsible for the construction of the water line substantially as shown on the Construction Plans and Specifications for the South Richland Conservancy District dated November 2011. Upon its completion, Textron shall transfer all ownership rights in it to the District at no cost to the District.
- (2) Textron shall be responsible for correcting, at its cost, any defects with respect to the design and/or construction of the water line.
- (3) The District shall manage the water distribution system, provided that Textron shall pay for the costs of such management as provided in sections 4, 5, 6 and 7 below.
- (4) Textron shall be responsible, at its cost, for all costs associated with the operation and maintenance of the water line and associated equipment and structures, including pump/booster station and water discharge systems, and their necessary repair and replacement.
- (5) Textron shall be responsible at its cost for payment to the City of Rochester for water purchase and for the negotiation of future water purchase rates.

- (6) Textron shall be responsible, at its cost, for those administrative costs of the District consistent with the Conservancy District Act.
- (7) Textron shall be responsible, at its cost, for providing professional services needed by the District, including legal, engineering, and accounting services.
- (8) Textron shall secure its financial obligations hereunder through the issuance to the District of a an irrevocable Letter of Credit issued by a financial institution bearing at least an "A" rating as provided by Moody's or Standard & Poor's, in an amount of two million dollars (\$2,000,000). Every third anniversary of the Letter of Credit's original issuance date the amount of the Letter of Credit shall be adjusted for inflation so as to equal the equivalent of \$2,000,000 in 2012 dollars.

SOUTH RICHLAND

CONSERVANCY DISTRICT

By: Joe B. Hunting Joe Hunting  
Title: Chairperson  
Date: 3/14/12

TEXTRON INC.

By: Jim Deffen  
Title: VP, Deputy General Counsel OK JMS  
Date: 3/21/12 at 3/21/12