



**CITY OF PONTIAC**  
**OFFICE OF THE EMERGENCY MANAGER**

**LOUIS H. SCHIMMEL**

47450 Woodward Avenue  
Pontiac, Michigan 48342  
Telephone: (248) 758-3133  
Fax: (248) 758-3292

**Dated: August 7, 2012**

**ORDER NO. S-237**

**RE: Approval of Defeasance of the following Bond Issues of the City of Pontiac:**

**\$855,000 in principal amount of Water Supply System Revenue Bonds, Series 1995, dated September 1, 1995 (the "Series 1995 Bonds"); and**

**\$840,000 in principal amount of Water Supply System Revenue Bonds, Series 2002, dated May 1, 2002 (the "Series 2002 Water Supply Bonds"); and**

**\$3,060,000 in principal amount of Sewage Disposal System Revenue Bonds, Series 2002, dated May 1, 2002 (the "Series 2002 Sewage Disposal Bonds") ("the Refunded Bonds")**

**TO: Sherikia Hawkins, City Clerk  
John Naglick, Finance Director  
Carl Johnson, Controller, Plante & Moran**

The **Local Government and School District Fiscal Accountability Act (Public Act 4 of 2011)** in **Section 17(1)** empowers an Emergency Manager to issue the orders the Manager considers necessary to accomplish the purposes of the Act and any such orders are binding on the local officials or employees to whom they are issued. **Section 19(1)** provides that an Emergency Manager may take on one or more additional actions with respect to a local government in receivership: **(f)** Examine all records and books of account, and require under the procedures of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, or 1919 PA 71, MCL 21.41 to 21.55, or both, the attendance of witnesses and the production of books, papers, contracts, and other documents relevant to an analysis of the financial condition of the unit of local government; **(g)** Make, approve or disapprove any appropriation, contract, expenditure...; **(u)** Authorize the borrowing of money by the local government as provided by law; **(v)** Approve or disapprove of the issuance of obligations of the local government on behalf of the local government under this subdivision; **(dd)** Exercise solely, for and on behalf of the local government, all other authority and responsibilities of the local government of the chief

administrative officer and governing body concerning the adoption, amendment and enforcement of ordinances or resolutions of the local government...; and **19(2)** ...the authority of the chief administrative officer and governing body to exercise power for and on behalf of the local government under law, charter, and ordinance shall be suspended and vested in the Emergency Manager.

Based upon the agreements made by the Oakland County Water Resources Commissioner, the Emergency Manager has concluded that it is in the best interest of the City of Pontiac to provide for the defeasance of certain bonds of the City of Pontiac from the proceeds to be received by the City from the issuance of the Drain Bonds (Series 2012B by the City of Pontiac Wastewater Treatment Facility Drainage District) for the purpose of paying part of the cost of acquiring facilities constituting the City of Pontiac Wastewater Treatment Facility from the City, thereby providing amounts sufficient to provide for the payment of the principal of and interest on the Refunded Bonds of the City to provide for the public health and safety of the City for the reasons set forth in the Resolution set forth below.

Accordingly, the City will approve the execution of an escrow agreement in the form attached to the Resolution set forth below.

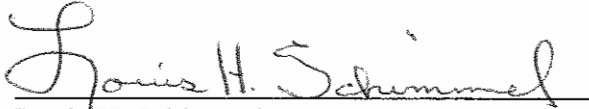
**It is hereby ordered:**

- (1) The Resolution attached is hereby adopted, (see ATTACHMENT A).
- (2) The City Clerk take all steps necessary to reflect the above Resolution on the City books and records, including publication of the Resolution.

**The Order shall have immediate effect.**

Copies of the documents referenced in this Order are to be maintained in the offices of the City Clerk and the Law Department and may be reviewed and/or copies may be obtained upon submission of a written request consistent with the requirements of the Michigan Freedom of Information Act and subject to any exemptions contained in that state statute and subject to any exemptions allowed under that statute (**Public Act 442 of 1976, MCL 15.231, et. seq.**).

This Order is necessary in order to carry out the duties and responsibilities required of the Emergency Manager as set forth in the **Local Government and School District Fiscal Accountability Act (Public Act 4 of 2011)** and the contract between the State of Michigan and the Emergency Manager.

A handwritten signature in cursive script, reading "Louis H. Schimmel", written over a horizontal line.

Louis H. Schimmel  
City of Pontiac  
Emergency Manager

cc: State of Michigan Department of Treasury  
Mayor Leon B. Jukowski  
Pontiac City Council

**ATTACHMENT A**

**RESOLUTION AUTHORIZING ACTION TO DEFEASE  
ALL OF THE FOLLOWING OUTSTANDING BONDS:  
\$855,000 IN PRINCIPAL AMOUNT OF WATER SUPPLY  
SYSTEM REVENUE BONDS, SERIES 1995,  
DATED SEPTEMBER 1, 1995,**

**\$840,000 IN PRINCIPAL AMOUNT OF WATER SUPPLY  
SYSTEM REVENUE BONDS, SERIES 2002,  
DATED MAY 1, 2002 AND**

**\$3,060,000 IN PRINCIPAL AMOUNT OF SEWAGE DISPOSAL  
SYSTEM REVENUE BONDS, SERIES 2002,  
DATED MAY 1, 2002**

**AND APPROVING AN ESCROW AGREEMENT**

WHEREAS, the City has issued the following: \$855,000 in principal amount of Water Supply System Revenue Bonds, Series 1995, dated September 1, 1995 (the "Series 1995 Bonds"); and \$840,000 in principal amount of Water Supply System Revenue Bonds, Series 2002, dated May 1, 2002 (the "Series 2002 Water Supply Bonds"); and \$3,060,000 in principal amount of Sewage Disposal System Revenue Bonds, Series 2002, dated May 1, 2002 (the "Series 2002 Sewage Disposal Bonds") (the "Refunded Bonds") to pay part of certain costs of public improvements and paying costs incidental to the issuance of the series of Bonds (the "Prior Bonds"); and

WHEREAS, the City has or will have available sufficient funds to defease all of said Bonds prior to maturity with maturities and interest rates as set forth in form of the Escrow Agreement attached hereto as APPENDIX I (such bonds referred to as the "Refunded Bonds") in an amount to pay the costs of defeasing said Bonds; and

WHEREAS, the defeasance will save the City interest costs over the life of the Bonds; and

WHEREAS, in order that the BONDS TO BE DEFEASED may be properly defeased utilizing proceeds of the bonds, the City and the Drainage District must enter into an agreement with a bank or trust company; and

WHEREAS, the City must approve such defeasance;

NOW, THEREFORE, IT IS RESOLVED, as follows:

1. The City hereby approves the defeasance of all of the Refunded Bonds as described in *APPENDIX I*.

2. The City hereby authorizes entering into the Escrow Agreement, dated as of August 7, 2012 (the "Escrow Agreement"), with Huntington National Bank, Grand Rapids, Michigan which Escrow Agreement shall be in substantially the form attached hereto as *APPENDIX I* (with such changes, modifications and additions as may be approved by the Emergency Financial Manager of the City). The Escrow Agreement shall be completed with appropriate figures prior to execution on behalf of the Emergency Financial Manager of the City.

3. The Emergency Manager of the City is hereby authorized, upon execution of the Escrow Agreement, to cause \$1,000 to be deposited with the escrow agent and when sufficient monies are received by the City in Escrow for this purpose to cause those to be deposited with the escrow agent, pursuant to said Escrow Agreement, to pay when due the principal of, redemption premium and interest on the BONDS TO BE DEFEASED and to pay the costs for said defeasance.

4. The Emergency Manager of the City, the Emergency Financial Manager of the City, and Dickinson Wright are instructed to take whatever steps are necessary to defease and call the BONDS TO BE DEFEASED.

5. All resolutions and parts of resolutions, insofar as the same may be in conflict herewith, are hereby rescinded.

The resolution was declared adopted.

APPENDIX I

ESCROW AGREEMENT

CITY OF PONTIAC WASTEWATER TREATMENT FACILITY DRAINAGE DISTRICT  
DRAIN BONDS, SERIES 2012B (TAX-EXEMPT)

THIS ESCROW AGREEMENT (the "Agreement") dated as of August 7, 2012, made by and among the City of Pontiac Wastewater Treatment Facility Drainage District, Oakland County, Michigan; the City of Pontiac, Oakland County, Michigan; and The Huntington National Bank, Grand Rapids, Michigan.

WITNESSETH:

WHEREAS, there are presently outstanding \$855,000 in principal amount of Water Supply System Revenue Bonds, Series 1995, dated September 1, 1995 (the "Series 1995 Bonds") of the City (hereinafter defined), which bonds mature serially in such years and such amounts and bear interest at such rates as set forth on Exhibit A attached hereto and made a part hereof; and

WHEREAS, there are presently outstanding \$840,000 in principal amount of Water Supply System Revenue Bonds, Series 2002, dated May 1, 2002 (the "Series 2002 Water Supply Bonds") of the City, which bonds mature serially in such years and such amounts and bear interest at such rates as set forth on Exhibit A attached hereto and made a part hereof; and

WHEREAS, there are presently outstanding \$3,060,000 in principal amount of Sewage Disposal System Revenue Bonds, Series 2002, dated May 1, 2002 (the "Series 2002 Sewage Disposal Bonds") of the City, which bonds mature serially in such years and such amounts and bear interest at such rates as set forth on Exhibit A attached hereto and made a part hereof; and

WHEREAS, the Issuer (hereinafter defined) has adopted a resolution authorizing the issuance of the Drain Bonds (hereinafter defined) for the purpose of paying part of the cost of acquiring facilities constituting the City of Pontiac Wastewater Treatment Facility from the City, thereby providing amounts sufficient to provide for the payment of the principal of and interest on the Refunded Bonds (hereinafter defined) on the date and in the amounts shown on Exhibit B attached hereto; and

WHEREAS, the Issuer and the City desire to provide for the deposit of cash and part of the proceeds of the Drain Bonds with the Escrow Agent (hereinafter defined) to provide for such payment of the principal of and interest on the Refunded Bonds; and

WHEREAS, the Issuer and the City desire to enter into an escrow agreement with the Escrow Agent to provide for the safekeeping, investment, reinvestment, administration and disposition of such deposit upon the terms and conditions herein set forth; and

WHEREAS, the Issuer and the City desire that, concurrently with the delivery of the Drain Bonds to the purchasers thereof, a portion of the proceeds of the Drain Bonds shall be applied to purchase certain direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, or other obligations the principal of and interest on which are fully secured by the foregoing, for deposit to the credit of the Escrow Fund (hereinafter defined) created pursuant to the terms of this Agreement and to add any necessary cash to the then existing cash balance in the Escrow Fund; and

WHEREAS, the Escrowed Securities (hereinafter defined) shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay the principal of and interest on the Refunded Bonds at maturity and redemption; and

WHEREAS, by resolution adopted on July 17, 2012, the Drainage Board of the Issuer and by order issued on August 7, 2012, the Emergency Manager of the City duly authorized the execution of this Agreement, a certified copy of which resolution and order have been filed with the Escrow Agent.

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of the principal of and interest on the Refunded Bonds, the Issuer, the City and the Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

## ARTICLE I

### DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"City" means the City of Pontiac, Oakland County, Michigan.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

"Drain Bonds" means the Issuer's Drain Bonds, Series 2012B (Tax-Exempt) to be dated the date of delivery thereof.

"Escrow Agent" means The Huntington National Bank, Grand Rapids, Michigan, and its successors as Escrow Agent under this Agreement.

"Escrow Fund" means the City of Pontiac Wastewater Treatment Facility Drainage District Drain Bonds, Series 2012B (Tax-Exempt) Escrow Fund created and described in Section 3.01 of this Agreement.

"Escrowed Securities" means those securities delivered to the Escrow Agent as described in Section 2.01 hereof.

"Issuer" means the City of Pontiac Wastewater Treatment Facility Drainage District, Oakland County, Michigan.

"Prior Bonds" means the Series 1995 Bonds, the Series 2002 Water Supply Bonds and the Series 2002 Sewage Disposal Bonds, all of which are more fully described on Exhibit A.

"Refunded Bonds" means the Series 1995 Bonds maturing in the years 2013 through 2015, inclusive, the Series 2002 Water Supply Bonds maturing in the years 2013 through 2022, inclusive, and the Series 2002 Sewage Disposal Bonds maturing in the years 2013 through 2022, inclusive.

"Refunded Bonds Paying Agent" means U.S. Bank National Association, Detroit, Michigan (successor to First of America Bank-Michigan, N.A.) for the Series 1995 Bonds, and U.S. Bank National Association, Detroit, Michigan (successor to National City Bank of Michigan/Illinois) for the Series 2002 Water Supply Bonds and the Series 2002 Sewage Disposal Bonds.

"Refunded Bonds Resolutions" means the ordinances duly adopted by the City Council of the City on July 20, 1995, and November 2, 1995, and a resolution duly adopted by the City Council of the City on July 20, 1995, authorizing the issuance, sale and delivery of the Series 1995 Bonds, the ordinance duly adopted by the City Council of the City on March 28, 2002, and a resolution duly adopted by the City Council of the City on May 16, 2002, authorizing the issuance, sale and delivery of the Series 2002 Water Supply Bonds, and the ordinance duly adopted by the City Council of the City on March 28, 2002, and a resolution duly adopted by the City Council of the City on May 16, 2002, authorizing the issuance, sale and delivery of the Series 2002 Sewage Disposal Bonds.

"Resolution" means the resolution duly adopted by the Drainage Board of the Issuer on July 17, 2012, authorizing the issuance, sale and delivery of the Drain Bonds.

Section 1.02. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

## ARTICLE II

### DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.01. Deposits in the Escrow Fund. The Issuer and the City have deposited, or caused to be deposited, \$1,000 in the Escrow Fund as the beginning cash balance. On the date of



delivery of the Drain Bonds, the Issuer and the City will deposit, or cause to be deposited, the Escrowed Securities and such additional cash as shall be sufficient to provide for the payment of the principal of and interest on the Refunded Bonds on the date and in the amounts shown on Exhibit B hereto. The Escrow Securities and cash to be so deposited shall be based upon a verification report prepared by Grant Thornton or such other verification agent selected by the Issuer.

### ARTICLE III

#### CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special and irrevocable escrow fund to be known as the City of Pontiac Wastewater Treatment Facility Drainage District Drain Bonds, Series 2012B (Tax-Exempt) Escrow Fund. The Escrow Agent hereby acknowledges that there has been deposited to the credit of such Escrow Fund the beginning cash balance as described in Section 2.01. The Escrowed Securities and all proceeds therefrom, including assets acquired with such proceeds, shall be the property of the Escrow Fund and shall be applied only in strict conformity with the terms and conditions of this Agreement. All of the Escrowed Securities, all proceeds therefrom, including assets acquired with such proceeds, and all cash balances from time to time on deposit in the Escrow Fund hereby are pledged irrevocably to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers to the Refunded Bonds Paying Agent in such amounts and at such times as are provided for in Section 3.02 hereof. When the final transfers have been made to the Refunded Bonds Paying Agent for the payment of the principal of and interest on the Refunded Bonds in accordance with Exhibit B, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent thereupon shall be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer to the Refunded Bonds Paying Agent from the cash balances from time to time on deposit in the Escrow Fund the amounts required to pay the principal of and interest on the Refunded Bonds in the amounts and at the times shown on Exhibit B attached hereto.

Section 3.03. Sufficiency of Escrow Fund. The Issuer represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Refunded Bonds Paying Agent at the times and in the amounts required to pay the interest on the Refunded Bonds prior to the redemption of the Refunded Bonds and to pay the principal of and interest on the Refunded Bonds upon the redemption of the Refunded Bonds, all as more fully set forth on Exhibit B attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Refunded Bonds Paying Agent to make the payments set forth in Section 3.02 hereof, the Issuer shall deposit in the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments when due. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the

Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Issuer's failure to make additional deposits thereto.

Section 3.04. Escrow Fund. The Escrow Agent at all times shall hold the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund as special trust funds but need not segregate such funds and securities except to the extent required by law; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund always shall be maintained by the Escrow Agent as escrow funds for the benefit of the holders of the Refunded Bonds, and a special account thereof at all times shall be maintained on the books of the Escrow Agent. The holders of the Refunded Bonds shall be entitled to a preferred claim and first lien upon the Escrowed Securities, the proceeds thereof and all other assets of the Escrow Fund. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right to title with respect thereto except in its capacity as Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Issuer or by the Refunded Bonds Paying Agent.

Section 3.05. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, shall be secured continuously by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

#### ARTICLE IV

#### REDEMPTION OF REFUNDED BONDS

Section 4.01. Duties of Escrow Agent in Connection with Redemption of Refunded Bonds. The Escrow Agent shall take all steps required by the Refunded Bonds Resolutions (copies of which resolutions have been furnished to the Escrow Agent) to cause the Refunded Bonds to be called for redemption on January 1, 2013. The Escrow Agent is hereby authorized by the Issuer to take all action on its behalf legally required to effect the call of Refunded Bonds on such date and in connection therewith, the Escrow Agent shall notify the Refunded Bonds Paying Agent not later than October 31, 2012, to take all steps required by the Refunded Bonds Resolutions to call such Refunded Bonds for redemption on January 1, 2013. Such notification shall include instructions to the Refunded Bonds Paying Agent to mail by first-class mail not later than November 30, 2012, a notice of redemption to the registered holders of each of the outstanding Refunded Bonds at the registered addresses as shown on the registration books of the Issuer kept by the Refunded Bonds Paying Agent on the day that such notice is mailed.

## ARTICLE V

### LIMITATION ON INVESTMENTS

Section 5.01. General Prohibition. Moneys in the Escrow Fund and the proceeds of the Escrowed Securities shall not be invested or reinvested except as provided in this Article V.

Section 5.02. Investment or Reinvestment of Moneys. At the direction of the Issuer, the Escrow Agent shall invest or reinvest the moneys held in the Escrow Fund in direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America provided that the investments shall mature on or one day prior to the due date of the payments to be made therefrom and provided that the Issuer delivers to the Escrow Agent the following:

(a) an opinion by an independent certified public accountant that after such investment or reinvestment the principal amount of the securities in the Escrow Fund together with the interest thereon and other available moneys will be sufficient to pay, as the same become due in accordance with Exhibit B, the principal of and interest on the Refunded Bonds which have not been paid previously; and

(b) an opinion of nationally recognized municipal bond counsel, which may be rendered in reliance upon an opinion by an independent certified public accountant with respect to the yield of the Drain Bonds and the yield of the securities in the Escrow Fund, to the effect that (1) such investment will not cause the Drain Bonds or the Prior Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder in effect on the date of such investment or otherwise make the interest on the Drain Bonds or the Prior Bonds subject to federal income taxation, and (2) such investment or reinvestment complies with the Constitution and laws of the State of Michigan and with all relevant documents relating to the issuance of the Drain Bonds and Prior Bonds.

Section 5.03. Transfer of Excess Amounts. If at any time through redemption or cancellation of the Refunded Bonds or through deposit of additional moneys or non-callable direct obligations of the United States of America or by reason of an investment or reinvestment pursuant to Section 5.02 of this Agreement there exists or will exist excesses of cash or interest on or maturing principal of the securities in the Escrow Fund hereunder for the Refunded Bonds, the Escrow Agent may transfer such excess amounts to or on the order of the Issuer provided that the Issuer delivers to the Escrow Agent the following:

(a) an opinion by an independent certified public accountant that after the transfer of such excess the principal amount of securities in the Escrow Fund, together with the interest thereon and other available moneys, will be sufficient to pay, as the same become due in accordance with Exhibit B, the principal of and interest on the Refunded Bonds which have not been paid previously; and

(b) an opinion of nationally recognized municipal bond counsel, which may be rendered in reliance upon an opinion by an independent certified public accountant with respect

to the yield of the Drain Bonds and the yield of the securities in the Escrow Fund, to the effect that (1) such transfer will not cause the Drain Bonds or the Prior Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder in effect on the date of such transfer or otherwise make the interest on the Drain Bonds or the Prior Bonds subject to Federal income taxation, and (2) such transfer complies with the Constitution and laws of the State of Michigan and with all relevant documents relating to the issuance of the Prior Bonds and the Drain Bonds.

Section 5.04. Arbitrage. The Issuer hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause the Prior Bonds or the Drain Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

## ARTICLE VI

### RECORDS AND REPORTS

Section 6.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited in the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Issuer and the holders of the Refunded Bonds.

Section 6.02. Reports. For the period beginning on the date hereof and ending on December 31, 2012, and for each twelve (12) month period thereafter while this Agreement remains in effect, the Escrow Agent shall prepare and send to the Issuer within thirty (30) days following the end of such period a written report summarizing all transactions relating to the Escrow Fund during such period, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund to the Prior Bonds Paying Agent for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities, and the cash balance on deposit in the Escrow Fund as of the end of such period.

## ARTICLE VII

### CONCERNING THE ESCROW AGENT

Section 7.01. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds to the Refunded Bonds Paying Agent for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall not have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Drain Bonds shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the Resolutions and is not responsible for nor bound by any of the provisions thereof. In its capacity as Escrow Agent it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Issuer thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in the exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, gross negligence or willful default, nor for any loss unless the same shall have been through its gross negligence or willful misconduct.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement and to take all action necessary to effect the call of the Refunded Bonds for redemption as provided in Article IV of this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or gross negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Issuer or any other person such reasonable additional

evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

Section 7.03. Compensation. The Issuer has caused to be paid to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of Five Hundred Dollars (\$500) the receipt and sufficiency of which are hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent or in any other capacity, or for reimbursement for any of its expenses.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as Escrow Agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate resolution, shall promptly appoint a Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Issuer within 60 days, a successor may be appointed by the holders of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the Issuer, signed by such holders or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the holder of any Refunded Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent 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 its principal office and place of business in the State of Michigan, having a combined capital and surplus of at least \$25,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Issuer and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee hereunder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notice. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Issuer:

Oakland County Treasurer  
1200 North Telegraph Road  
Pontiac, MI 48341

To the City:

City of Pontiac  
47450 Woodward Avenue  
Pontiac, Michigan 48342  
Attention: City Clerk

To the Escrow Agent:

The Huntington National Bank  
Corporate Trust (MI 230)  
50 Monroe Avenue NW  
Grand Rapids, MI 49503  
Attention: Ellen Campbell, Assistant Vice President

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other party not less than ten (10) days prior notice thereof.

Section 8.02. Termination of Responsibilities. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Issuer, the holders of the Refunded Bonds or any other person or persons in connection with this Agreement.

Section 8.03. Binding Agreement; Counterparts. This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives and shall inure solely to the benefit of the holders of the Refunded Bonds, the Issuer, the Escrow Agent and their respective successors and legal representatives. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8.04. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 8.05. Michigan Law Governs. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Michigan.

Section 8.06. Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.



Section 8.07. Rights of Holders of Refunded Bonds. This Agreement shall not be terminated nor amended in any manner that would affect adversely the rights of the holders of the Refunded Bonds and may be amended only to correct errors, clarify ambiguities or increase the rights of the holders of the Refunded Bonds.

EXECUTED as of the date first written above.

CITY OF PONTIAC WASTEWATER  
TREATMENT FACILITY DRAINAGE  
DISTRICT,  
Oakland County, Michigan

By: \_\_\_\_\_  
Its: Chairperson of Drainage Board

CITY OF PONTIAC

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

THE HUNTINGTON NATIONAL BANK

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

EXHIBIT A

City of Pontiac  
Oakland County, Michigan  
Water Supply System Revenue Bonds, Series 1995  
(the Series 1995 Bonds)

<u>PRINCIPAL MATURITY DUE JANUARY 1</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2013	\$270,000	6.50%
2014	285,000	6.50%
2015	300,000	6.50%

Paying Agent: U.S. Bank National Association

City of Pontiac  
Oakland County, Michigan  
Water Supply System Revenue Bonds, Series 2002  
(the Series 2002 Water Supply Bonds)

<u>PRINCIPAL MATURITY DUE JANUARY 1</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2013	\$ 65,000	5.35%
2014	70,000	5.50%
2015	75,000	5.60%
2016	75,000	5.70%
2017	80,000	5.75%
2018	85,000	5.80%
2019	90,000	5.80%
2020	95,000	5.80%
2021	100,000	5.80%
2022	105,000	5.80%

Paying Agent: U.S. Bank National Association

City of Pontiac  
Oakland County, Michigan  
Sewage Disposal System Revenue Bonds, Series 2002  
(the Series 2002 Sewage Disposal Bonds)

<u>PRINCIPAL MATURITY</u> <u>DUE JANUARY 1</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2013	\$ 240,000	5.35%
2014	250,000	5.50%
2015	265,000	5.60%
2016	280,000	5.70%
2017	295,000	5.75%
2018	310,000	5.85%
2019	325,000	5.75%
2020	345,000	5.75%
2021	365,000	5.75%
2022	385,000	5.75%

Paying Agent: U.S. Bank National Association

EXHIBIT B

Escrow Fund Requirements

Principal and Interest on the Series 1995 Bonds to be Paid from the Escrow Fund

<u>DATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
01/01/13	\$27,787.50	\$855,000	882,787.50

Principal and Interest on the Series 2002 Water Supply Bonds to be Paid from the Escrow Fund

<u>DATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
01/01/13	\$23,976.25	\$840,000	\$863,976.25

Principal and Interest on the Series 2002 Sewage Disposal Bonds to be Paid from the Escrow Fund

<u>DATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
01/01/13	\$87,068.75	\$3,060,000	\$3,147,068.75