OAKLAND COUNTY WATER SUPPLY AND SEWAGE DISPOSAL SYSTEMS FOR ROCHESTER HILLS – EXTENSION NO. 5A PROJECT CONTRACT

THIS CONTRACT, made and entered into as of the 1st day of May, 2005, by and between the COUNTY OF OAKLAND, a county corporation in the State of Michigan (hereinafter sometimes referred to as the "County"), by and through its Drain Commissioner, its county agency (the "County Agency"), party of the first part, and the CITY OF ROCHESTER HILLS, a city located in the County (hereinafter sometimes referred to as the "City"), party of the second part.

WITNESSETH:

WHEREAS, the County heretofore has established, constructed and acquired the Oakland County Water Supply and Sewage Disposal Systems for Avon Township pursuant to the provisions of Act No. 185, Public Acts of Michigan, 1957, as amended and pursuant to the Contract Oakland County Water Supply and Sewage Disposal Systems for Avon Township, dated November 1, 1968 (the "Base Contract");

WHEREAS, the Township of Avon has been incorporated as the City of Rochester Hills and the Oakland County Water Supply and Sewage Disposal Systems for Avon Township are now known as the Oakland County Water Supply and Sewage Disposal Systems for Rochester Hills (the "System") and it is necessary to improve, enlarge and extend the System by the acquisition and construction of the hereinafter described water supply and sewage disposal facilities; and

WHEREAS, by the terms of Act No. 342, Public Acts of Michigan, 1939, as amended (hereinafter sometimes referred to as "Act 342"), the County and the City are authorized to enter into a contract for the acquisition, improvement, enlargement or extension of the System and for the payment of cost thereof by the City; and

WHEREAS, it is now necessary for the public health and welfare of the present and future residents of the City to extend, improve and enlarge the system in the City by the acquisition and construction of the Oakland County Water Supply and Sewage Disposal Systems for Rochester Hills, Extension No. 5A Project (the "Project") and to finance the acquisition and construction by payments from the City to the County of amounts to become due under this contract; and

WHEREAS, the consulting engineers have prepared preliminary plans for the Project and estimates of the cost and period of usefulness thereof, all of which have been submitted to and approved by the Board of Commissioners of the County and the City Council and placed on file with said Board of Commissioners in the office of the County Agency, said estimates being set forth in Exhibit B hereunto attached; and

WHEREAS, it is proposed that the cost of the Project be financed in whole or in part by the issuance of County bonds; and

WHEREAS, in order to provide for the acquisition and construction of the Project by the County and the financing of all or part of the cost thereof by the issuance of County bonds, and for other related matters, it is necessary for the parties hereto to enter into this contract.

THEREFORE, IN CONSIDERATION OF THE PREMISES AND THE COVENANTS
OF EACH OTHER, THE PARTIES HERETO AGREE as follows:

- 1. The parties hereto approve and agree to the acquisition, construction and financing of the Project as part of the System, as herein provided, under and pursuant to Act 342. The City by way of compliance with Section 29, Article VII, Michigan Constitution of 1963, consents and agrees to the establishment and location of the Project and the System within its corporate boundaries and to the use by the County of its streets, highways, alleys, lands, rights-of-way or other public places for the purpose and facilities of the Project and the System and any improvements, enlargements or extensions thereof, and the City further agrees that, in order to evidence and effectuate the foregoing agreement and consent, it will execute and deliver to the County such grants of easement, right-of-way, license, permit or consent as may be requested by the County.
- 2. The Project shall consist of the sewage disposal and water supply facilities as described and specified on Exhibit A, which is hereunto attached and is made a part hereof, and as are more particularly set forth in the preliminary plans that have been prepared and submitted by the consulting engineers, which plans are on file with the County Agency and are approved and adopted. The Project shall be acquired and constructed substantially in accordance with said preliminary plans and in accordance with final plans and specifications to be prepared and submitted by the consulting engineers, but variations therefrom that do not materially change the location, capacity or overall design of the Project, and that do not require an increase in the total estimated cost of the Project, may be permitted on the authority of the County Agency. Other variations or changes may be made if approved by the County Agency and by resolution of the City Council and if provisions required by paragraph 5 hereof are made for payment or financing of any resulting increase in the total estimated cost. The estimate of the cost of the Project and the estimate of the period of usefulness thereof as set forth in Exhibit B are approved and adopted.

- 3. The County Agency shall take or cause to be taken all actions required or necessary, in accordance with Act 342, to procure the issuance and sale of bonds by the County, in one or more series, in whatever aggregate principal amount is necessary to finance the cost of the Project not paid from other sources. Such bonds shall be issued in anticipation of, and be payable primarily from, the payments to be made by the City to the County as provided in this contract, and shall be secured secondarily, if so voted by the Board of Commissioners of the County, by a pledge of the full faith and credit of the County, and the said bonds shall be payable in annual maturities the last of which shall be not more than forty years from the date thereof.
- 4. The County Agency shall proceed to take construction bids for the Project and, subject to the sale and delivery of bonds, enter into construction contracts with the lowest responsible bidder or bidders, procure from the contractors all necessary and proper bonds, cause the Project to be constructed within a reasonable time, and do all other things required by this contract and the laws of the State of Michigan. The County Agency may, in its sole discretion, retain the services of a third-party engineering firm to perform contract administration of the Project, and payment for such services shall be the responsibility of the City as part of the cost of the Project as described in paragraph 6 hereof. All certificates for required payments to contractors shall be approved by the consulting engineers before presentation to the County Agency and the latter shall be entitled to rely on such approval in making payments.
- 5. In the event that it shall become necessary to increase the estimated cost of the Project for any reason, or if the actual cost of the Project shall exceed the estimated cost, whether as the result of variations or changes made in the approved plans or otherwise, then the County Agency shall not be obligated to pay such increased or excess cost unless the City Council shall have adopted a resolution approving such increase or excess and agreeing that the same (or such part thereof as is not available from other sources) shall be defrayed by the issuance of increased or additional bonds in anticipation of increased or additional payments agreed to be made by the

City to the County in the manner hereinafter provided; provided, however, that the adoption of such resolution by the City Council shall not be required prior to or as a condition precedent to the issuance of additional bonds by the County, if the County previously has issued or contracted to sell bonds to pay all or part of the cost of the Project and the issuance of the additional bonds is necessary (as determined by the County) to pay such increased, additional or excess costs as are essential to completion of the Project according to the plans as last approved prior to the time when the previous bonds were issued or contracted to be sold.

6. The City shall pay to the County the entire cost of the Project not defrayed by grants and funds available from other sources. The City hereby acknowledges that, except as may be pledged by the County for payment of bonds as described in paragraph 3 hereof or as may be advanced by the County pursuant to paragraph 13 hereof, no County general funds shall be appropriated or pledged pursuant to this contract or for the Project. The County's role in the Project is strictly limited to that set forth in Act 342, and the City shall be solely responsible for all administration, finance and construction costs (including attorney fees and all dispute resolution costs), and all costs of operation and maintenance of the Project. Without limiting the general nature of the preceding sentence, the cost to be paid by the City shall include, in addition to the items of the nature set forth in Exhibit B (represented by the principal amount of the bonds to be issued by the County), all interest payable by the County on said bonds, all paying agent fees and other expenses and charges (including the County Agency's administrative expenses) that are payable on account of said bonds (such fees, expenses and charges being herein called "bond service charges"), all costs and expenses relating to lawsuits as described in paragraph 19 hereof and all items of cost described in paragraph 7 hereof. Such payments shall be made to the County in semiannual installments, which shall be due and payable at least thirty days prior to each interest payment date specified in the County bonds. Such semiannual installments shall commence on the date that interest (other than capitalized interest) or principal first becomes payable on the bonds, and the aggregate amount of the installments shall be at least sufficient to

pay, when due, all principal and interest on the bonds, all bond service charges payable on account of the bonds and all other costs described in this paragraph. The County Agency, within thirty days after delivery of the County bonds to the purchaser, shall furnish the treasurer the City with a complete schedule of the principal of and interest on the bonds, and the County Agency also, at least thirty days before each payment is due, shall advise the treasurer of the City of the amount payable to the County on such date. If the City fails to make any payment to the County when due, the same shall be subject to a penalty of 1% thereof for each month or fraction thereof that such amount remains unpaid after due. Failure of the County Agency to furnish the schedule or give the notice as above required shall not excuse the City from the obligation to make payments when due. The foregoing obligations shall apply to all bonds issued by the County to defray the cost of the Project. Payments shall be made by the City when due whether or not the Project has then been completed or placed in operation.

- 7. The County Agency is hereby authorized, but not required, to utilize County personnel for the administration of the Project. The City agrees that the costs of contract administration, auditing and financial services shall be part of the cost of the Project for purposes of paragraph 6 hereof, whether such services are provided by County personnel or third parties. In the case of County personnel, the costs attributed to the Project shall include the allocable share of such personnel's salary and fringe benefits to the Project as determined by the County Agency.
- 8. The City may pay in advance of maturity all or any part of an installment due the County on the bonds by surrendering to the County bonds issued hereunder of a like principal amount maturing in the same calendar year or by paying to the County in cash the principal amount of any County bonds that are subject to redemption prior to maturity, plus all interest thereon to the first date upon which such bonds may be called for redemption, and plus all applicable call premiums and bond service charges, and in such event the County Agency shall

call said bonds for redemption at the earliest possible date. The installments or parts thereof so prepaid shall be deemed to be the installments or parts thereof falling due in the same calendar year as the maturity dates of the bonds surrendered or called for redemption.

- 9. The proceeds of sale of the bonds shall be used solely and only to pay the cost of the Project, and after completion thereof and payment of all costs in connection therewith, any surplus remaining from the sale of the bonds shall be (i) used to purchase the bonds on the open market or (ii) retained by the County Agency as a reserve for payment of the bond principal and interest maturities next falling due, and in such event the contract obligations of the City in respect to such bonds or such maturities shall be reduced by the principal amount of bonds so purchased or of said reserve, said reduction in case of the purchase of bonds to be applied as to year in accordance with the year of the maturity of the bonds so purchased. Any bonds so purchased shall be cancelled. In the alternative, such surplus may be used, on request of the City and approval by the Board of Commissioners of the County, to extend, enlarge or improve the System or to acquire and construct additional sewage disposal and water supply facilities to serve the City.
- 10. The City, pursuant to the authorization of Section 5a of Act 342, hereby pledges its full faith and credit for the prompt and timely payment of its obligations expressed in this contract and, subject to applicable constitutional, statutory and charter tax limitations, each year shall levy a tax on the taxable property in the City in an amount that, taking into consideration estimated delinquencies in tax collections, will be sufficient to pay its obligations under this contract becoming due before the time of the following year's tax collections; provided, however, that if at the time of making its annual tax levy, the City shall have on hand in cash other funds, including special assessment funds and sewage disposal system revenues, that have been set aside and pledged or are otherwise available for the payment of such contractual obligations falling due prior to the time of the next tax collection, then the annual tax levy may be reduced

by such amount. The City Council each year, at least 90 days prior to the final date provided by law or charter for the making of the annual tax levy, shall submit to the County Agency a written statement setting forth the amount of its obligations to the County that become due and payable under this contract prior to the time of the next following year's tax collections, the amount of the funds that the City has or will have on hand or to its credit in the hands of the County that have been set aside and pledged for payment of said obligations to the County and the amount of the taxes next proposed to be levied for the purpose of raising money to meet such obligations. The County Agency promptly shall review such statement and, if he finds that the proposed tax levy is insufficient, he shall so notify the City Council. The City hereby covenants and agrees that it will thereupon increase its levy to such extent as may be required by the County Agency.

11. In the event that the City shall fail for any reason to pay to the County Agency at the times herein specified, the amounts herein required to be paid, the state treasurer or other official charged with the disbursement of unrestricted state funds returnable to the City pursuant to the Michigan constitution is authorized hereby to withhold sufficient funds to make up any default or deficiency in funds. In the event the County is required to advance any money by reason of its pledge of full faith and credit on the bonds to be issued to finance the acquisition and construction of the Project on account of the delinquency of the City, the County Treasurer shall notify the state treasurer to deduct the amount of money so advanced by the County from any unrestricted moneys in the state treasurer's possession belonging to the City and to pay such amount to the County. In addition to the foregoing, the County shall have all other rights and remedies provided by law to enforce the obligations of the City to make payments in the manner and at the times required by this contract. It is specifically recognized by the City that the payments required to be made by it pursuant to the terms of this contract are to be pledged for the payment of the principal of and interest on bonds to be issued by the County, and the City covenants and agrees that it will make its required payments to the County promptly and at the times herein specified, without regard as to whether the Project herein contemplated is actually

completed or placed in operation; provided, only, that nothing herein contained shall limit the obligation of the County to perform in accordance with the covenants contained herein.

- 12. No change in the jurisdiction over any territory in the City shall impair in any manner the obligations of this contract or affect the obligations of the City hereunder. In the event that all or any part of the territory of the City becomes a part of the territory of another municipality, the municipality into which such territory is incorporated shall assume the proper proportionate share of the contractual obligations (including the pledge of full faith and credit) of the City, which proper proportionate share shall be fixed and determined by the County Agency and shall be binding upon all parties concerned unless, within sixty (60) days after such incorporation becomes effective, the municipality into which such territory is incorporated and the City shall by mutual agreement and with the written approval of the County Agency fix and determine such proper proportionate share. The County Agency, prior to making such determination, shall receive a written recommendation as to the proper proportionate share from a committee composed of one representative designated by the City Council, one designated by the governing body of the new municipality or the municipality incorporating such territory and one independent registered engineer appointed by the County Agency. Each governmental unit shall appoint its representative within fifteen (15) days after being notified to do so by the County Agency and within a like time the County Agency shall appoint the engineer third member. If any such representative (other than the appointee of the County Agency) is not appointed within the time above provided, then the County Agency may proceed without said recommendation. If the committee shall not make the recommendation within forty-five (45) days after its appointment or within any extension thereof by the County Agency, then the County Agency may proceed without such recommendation.
- 13. The County may advance funds, if approved by resolution adopted by a 2/3 vote of the members-elect of its Board of Commissioners (as required by Section 8 of Act 342) for

administrative expenses, including engineering, legal and consulting expenses, incurred by the County Agency in the performance of its duties and powers authorized by Act 342 and for purposes of obtaining maps, plans, designs, specifications, cost estimates, rights-of-way and permits for the Project. In such event, and to avoid paying interest on the advance, the City shall, not later than two years after the date of adoption of the resolution of the County Board of Commissioners approving such advance, reimburse the County for the amount of any such advance; provided, however, that (i) the County Board of Commissioners may extend the due date of such reimbursement by resolution adopted by a 2/3 vote of its members-elect and (ii) the obligations of the City shall be reduced to the extent that County bonds are issued and the proceeds thereof are used to reimburse the County for such advances. The obligations of the City to pay the amounts set forth in this paragraph are full faith and credit obligations as described in paragraph 10 hereof. The County shall have all rights and remedies provided by this contract and Act 342 and otherwise pursuant to law to enforce the obligations of the City described in this paragraph. In the event that the City fails to reimburse the County for an advance made pursuant to this paragraph when due, the City shall pay to the County interest on such unreimbursed amount from the date of such advance to the date of repayment at the interest rate prevailing on six-month United States Treasury Bills on the date of adoption of the resolution of the County Board of Commissioners approving the advance, to be compounded quarterly.

14. If County bonds are not sold to finance the acquisition and construction of the Project within three years from the date of this contract through no fault of the County or if the Project is abandoned for any reason, the City shall pay, or reimburse the County for the payment of, all engineering, legal and other costs and expenses incurred by the County Agency in connection with the Project and the City shall be entitled to all plans, specifications and other engineering data and materials. The provisions of this paragraph may be waived or extended,

either before or after the expiration of the three year period, by resolution of the City Council and the Board of Commissioners of the County.

- 15. After completion of the Project the operation and maintenance of the System shall be in accordance with applicable agreements between the County and the City.
- 16. It is understood and agreed by the parties hereto that the System is to serve the City and not the individual property owners and users thereof, unless by special arrangement between the County Agency and the City. The responsibility of requiring connection to and use of the System and/or providing such additional facilities as may be needed shall be that of the City, which shall cause to be constructed and maintained, directly or through the County, any such necessary additional facilities. The County shall not be obligated to acquire or construct any facilities other than those designated in paragraph 2 hereof.
- 17. The County shall have no obligation or responsibility for providing facilities except as herein expressly provided with respect to the acquisition and construction of the Project or as otherwise provided by contract. The City shall have the authority and the responsibility to provide such other facilities and shall have the right to expand the facilities of the System by constructing or extending sewers, water mains or related facilities, connecting the same to the System, and otherwise improving the System. It is expressly agreed, nevertheless, that no such connection shall be made to the System and no improvements, enlargements or extensions thereof shall be made without first securing a permit therefor from the County. Any such permit may be made conditional upon inspection and approval of new construction by the County. It is further agreed that the portion of the System consisting of sewage disposal facilities shall be used for collection and conveyance of sanitary sewage only and that the City shall take all necessary action to prevent entry into the System of storm waters and also to

prevent entry of sewage or wastes of such a character as to be injurious to the System or to the public health and safety.

- 18. To the fullest extent permitted by law, and except as covered by the contractor's liability insurance, the City shall indemnify and hold harmless the County and the County Agency, and agents and employees of each of them, from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from design or construction work relating to the Project, including, without limitation, claims for damage to public or private property and for injuries to or death of any person or persons, excluding, however, any claims or causes of action resulting from the County's or the County Agency's sole negligence.
- 19. The parties hereto agree that the costs and expenses of any lawsuits or claims arising directly or indirectly out of this contract or the construction or financing of the Project, to the extent that such costs and expenses are chargeable against the County or the County Agency, shall be deemed to constitute a part of the cost of the Project and shall be paid by the City in the same manner as herein provided with respect to other costs of the Project. In the event of such litigation or claims, the County Agency shall consult with the City and shall retain legal counsel agreeable to the County and the City to represent the County; provided that if the County and the City cannot agree as to such representation within a reasonable time, the County Agency shall exercise its discretion as to the retention of such counsel. In this contract, "Claims" means any alleged losses, claims, complaints, demands for relief or damages, liability, penalties, costs, and expenses, including, but not limited to, reimbursement for reasonable attorney fees, witness fees, court costs, investigation expenses, litigation expenses, amounts paid in settlement, and/or other amounts or liabilities of any kind which are imposed on, incurred by, or assessed against the County, County Agency or City, or for which the County, County Agency or City may become legally and/or contractually obligated to pay or defend against, whether direct, indirect or

consequential, whether based upon any alleged violation of the federal or the State constitution, any federal or State statute, rule, regulation, or any alleged violation of federal or State common law, whether any such claims are brought in law or equity, tort, contract, or otherwise, and/or whether commenced or threatened. This paragraph shall not apply to a lawsuit instituted by the City to enforce its rights under this contract.

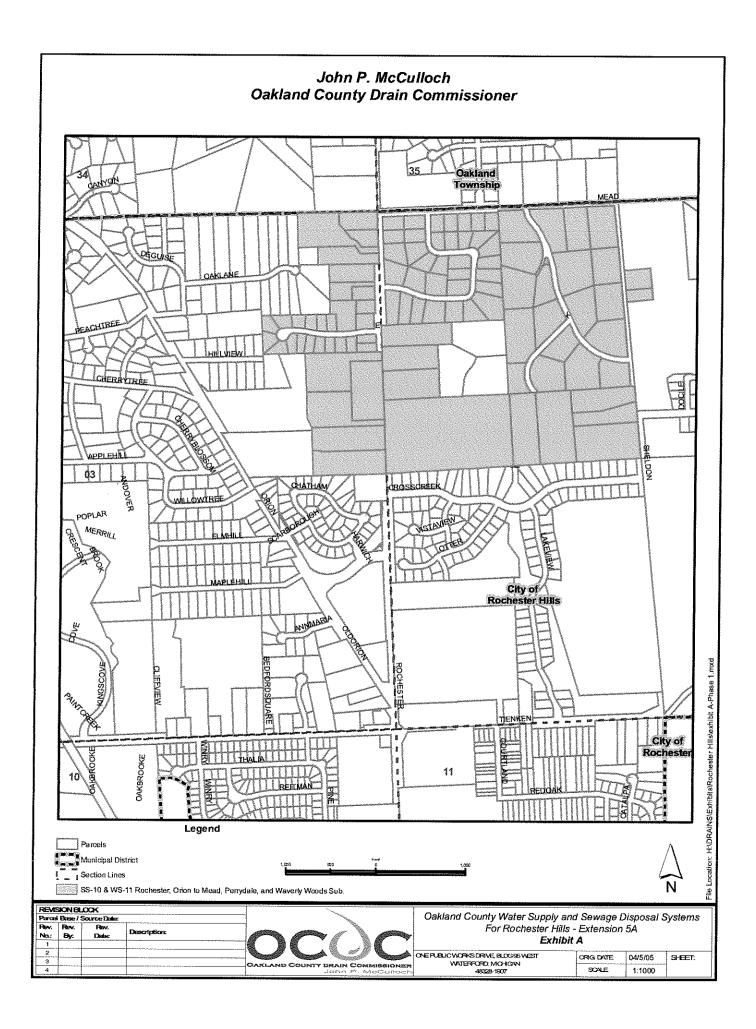
- 20. All powers, duties and functions vested by this contract in the County shall be exercised and performed by the County Agency, for and on behalf of the County, unless otherwise provided by law or in this contract.
- 21. The parties hereto recognize that the holders from time to time of the bonds to be issued by the County under the provisions of Act 342, and secured by the full faith and credit pledge of the City to the payment of the principal of and interest on the bonds as set forth in this contract, will have contractual rights in this contract, and it is therefore covenanted and agreed that so long as any of said bonds shall remain outstanding and unpaid, the provisions of this contract shall not be subject to any alteration or revision that would affect adversely either the security of the bonds or the prompt payment of principal or interest thereon. The right to make changes in this contract, by amendment, supplemental contract or otherwise is nevertheless reserved insofar as the same do not have such adverse effect. The parties hereto further covenant and agree that they each will comply with their respective duties and obligations under the terms of this contract promptly, at the times and in the manner herein set forth, and will not suffer to be done any act that would impair in any way the contract of said bonds, the security therefor or the prompt payment of principal and interest thereon. It is declared hereby that the terms of this contract and of any amendatory or supplemental contract and any contract entered into pursuant hereto, insofar as they pertain to said bonds or to the payment of the security thereof, shall be deemed to be for the benefit of the holders of said bonds.

- 22. In the event that any one or more of the provisions of this contract for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, but this contract shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.
- 23. This contract shall become effective after its execution by each party hereto and the expiration of 45 days after the date of publication of the notice required by Section 5b of Act 342; provided, however, that if, within the 45-day period, a proper petition is filed with the City Clerk in accordance with the provisions of Section 5b of Act 342, this contract shall not become effective until approved by the vote of a majority of the electors of the City qualified to vote and voting thereon at a general or special election. This contract shall terminate forty (40) years from its date or on such earlier date when the City is not in default hereunder and the principal, interest and bond service charges on the bonds issued as hereinabove described and all other amounts owed by the City to the County hereunder are fully paid and discharged. This contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Nothing herein contained, however, shall require the County to finance the Project if it is unable to sell the bonds to finance the same. This contract may be executed in any number of counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed and delivered by the undersigned, being duly authorized by the respective governing body of such parties.

	COUN	NTY OF OAKLAND
Executed on, 200	5 By:	County Drain Commissioner (County Agency)
	CITY	OF ROCHESTER HILLS
	Ву:	Mayor
Executed on, 200	5 And:	Clerk

BLOOMFIELD 9007-355 669208v1



OAKLAND COUNTY WATER SUPPLY & SEWAGE DISPOSAL SYSTEM

FOR ROCHESTER HILLS - EXTENSION NO. 5A

PRELIMINARY ESTIMATE OF PROJECT COST

WS - 11 Rochester Road, Orion to Mead; Perrydale & Waverly Woods Sub'n	\$1,970,000.00	
SS - 10 Rochester Road, Orion to Mead; Perrydale & Waverly Woods Sub'n	\$1,972,000.00	
	Sub-Total:	\$3,942,000.0
ONTRACTED SERVICES - PROJECT DEVELOPMENT:	220	
ngineering		
Consulting Engineering	\$264,500.00	
Soil Borings & Testing Consultants	\$93,000.00	
egal Services (incl. bond sale)	\$144,185.00	
	Sub-Total:	\$501,685.0
OUNTY SERVICES:		
Administration	\$39,420.00	
Engineering	\$197,100.00	
Survey	\$98,550.00	
Right-of-Way	\$227,585.00	
Construction Inspection	\$315,360.00	
	Sub-Total:	\$878,015.00
Contingency		\$591,300.00

OAKLAND COUNTY DRAIN COMMISSIONER

Joseph P. Kozma, P.É.

Manager, Engineering & Construction Division

EXHIBIT B

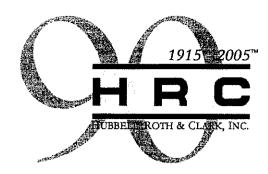
PRINCIPALS Gerald F. Knapp Thomas E. Bieni Walter H. Alix George E. Hubbell Peter T. Roth Keith D. McCormack Curt A. Christeson

CHIEF FINANCIAL OFFICER J. Bruce McFarland

SENIOR ASSOCIATES

Frederick C, Navarre Gary J. Tressel Lawrence R. Andyna Kenneth A. Melchior Dennis M. Monsere Randal L. Ford David P. Wilcox Timothy H. Sullivan

February 15, 2005



ASSOCIATES

Thomas G. Maxwell Nancy M.D. Eaciotst Jonathan E. Booth Michael C. MacDonald Marvin A Otana James C. Hanson Richard F. Seaubien Margaret Synk Kuhri William R. Davis James J. Alelio Daniel W. Mitchell Jesse B. VanDeCreek Robert F. DeFrain Marshall J. Grazinli

Oakland County Drain Commissioner One Public Works Drive Waterford, Michigan 48328

Attention: Mr. Mike McMahon

Re: Rochester Hills Extension No. 5 - Contract 4

Period of Usefulness Statement

HRC Job No. 200200608.07

Dear Mr. McMahon:

As requested, the purpose of this letter is to certify that the proposed water main and sewer improvements described as the Rochester Hills Extension No. 5 - Contract 4 were designed to provide a minimum of a forty (40) year service life. Details of the design are included in the set of contract documents and the previous reports prepared by HRC.

If you have any questions or require any additional information, please contact the undersigned.

Very truly yours,

HUBBELL, ROTH & CLARK, INC.

Daniel W. Mitchell, P.E.

Associate

DWM/dm

pc: HRC; File

FEB 1 6 2005 DRAIN COMMISSIONER