Koryzno, Edward (Treasury)

From: Maxine Murray <mmurray@cityofflint.com>
Sent: Tuesday, January 07, 2014 2:11 PM
To: Baird, Richard (GOV); ByrneR1@michigan.gov; Deasy, Thomas (MSP); Etue, Kriste (MSP); Kapp, Gene (MSP); Lee, Nichole (MSP); Muchmore, Dennis (GOV); Roberts, John (GOV); Sands, Thomas (MSP); Sipes, Stephen (MSP); West, Samantha (GOV); Dempkowski, Angela (Treasury); Larkin, Brian (GOV); Darnell Earley; Koryzno, Edward (Treasury); Clement, Elizabeth (GOV); Elizabeth Murphy; Hollins, Harvey (GOV); James Tolbert; Jerry Ambrose; Klotz, Josephine (MSP); O'Neill, Stephen (MSP); Saxton, Thomas (Treasury); Workman, Wayne (TREASURY)
Subject: Weekly Conference Call Agenda
Attachments: Weekly Phone Conference Agenda - January 8, 2014.doc

Good afternoon,

Attached is the agenda for the Wednesday, January 8, 9:00 am conference call.

Thank you.

--
Maxine Murray
Executive Assistant to
Mayor Dayne Walling
Darnell Earley, Emergency Manager
1101 S. Saginaw Street
Flint, MI 48502
810.237.2035 Telephone
810.766.7218 Fax

City of Flint Weekly 9:00 am Phone Conference Agenda

1) Michigan State Police – checklist, comments, concerns
2) Chief Tolbert's Update – Stats, initiatives, other
3) Fire Department Issues (if any)
4) Rich Baird – Gov. Office comments
5) B. Clement – comments, questions
6) Retiree Law Suit Status
7) Budget Update: FY13 – Audit, FY14 – current status, FY15 - plan

   Model Labor Contracts – status
8) KWA, Water Plant Preparation, Water/Sewer Rate Study
9) City Ordinance Review
10) Deficit Elimination Plan – Treasury
11) Master Plan Implementation Activity - Zoning Ordinance Revision
12) Status Report on the Flint City Council
13) Governance Revision
14) 9-1-1 Reconsolidation Plan
15) BS&A Upgrade
16) Strong Cities, Strong Community Update
17) 45 Day Financial and Operating Plan – submitted 11/21/13
18) MEDC – Transportation Economic Development Fund - Application/Waiver
19) Other

Created on 01/7/14

Pleyte, Beth (Treasury)

From:	Maxine Murray <mmurray@cityofflint.com>
Sent:	Tuesday, January 14, 2014 3:46 PM
To:	Baird, Richard (GOV); ByrneR1@michigan.gov; Deasy, Thomas (MSP); Etue, Kriste (MSP); Kapp, Gene (MSP); Lee, Nichole (MSP); Muchmore, Dennis (GOV); Roberts, John (GOV); Sands, Thomas (MSP); Sipes, Stephen (MSP); West, Samantha (GOV); Dempkowski, Angela (Treasury); Larkin, Brian (GOV); Darnell Earley; Koryzno, Edward (Treasury); Clement, Elizabeth (GOV); Elizabeth Murphy; Hollins, Harvey (GOV); James Tolbert; Jerry Ambrose; Klotz, Josephine (MSP); O'Neill, Stephen (MSP); Saxton, Thomas (Treasury); Workman, Wayne (TREASURY)
Subject:	Weekly Flint Conference Call Agenda
Attachments:	Weekly Phone Conference Agenda 01152014.doc

Good afternoon,

Attached is the agenda for the Wednesday, January 15th conference call.

Thank you.

--

Maxine Murray
Executive Assistant to
Mayor Dayne Walling
Darnell Earley, Emergency Manager
1101 S. Saginaw Street
Flint, MI 48502
810.237.2035 Telephone
810.766.7218 Fax

City of Flint Weekly 9:00 am Phone Conference Agenda

1) Michigan State Police – checklist, comments, concerns

2) Chief Tolbert's Update – Stats, initiatives, other

3) Fire Department Issues (if any)

4) Rich Baird – Gov. Office comments

5) B. Clement – comments, questions

~~6) Retiree Law Suit Status – off line follow-up~~

7) Budget Update: FY13 – Audit, FY14 – current status, FY15 - plan

   Model Labor Contracts – status

8) KWA, Water Plant Preparation, Water/Sewer Rate Study

9) City Ordinance Review

10) Deficit Elimination Plan – Treasury

11) Master Plan Implementation Activity - Zoning Ordinance Revision

12) Status Report on the Flint City Council

13) Governance Revision

14) 9-1-1 Reconsolidation Plan

15) BS&A Upgrade

16) Strong Cities, Strong Community Update

17) 45 Day Financial and Operating Plan – submitted 11/21/13

18) MEDC – Transportation Economic Development Fund - Application/Waiver

19) Other

Created on 01/14/14

Pleyte, Beth (Treasury)

Subject:	WR/VB (via phone/Director Wyant/Tom Saxton/Others RE: DWSD
Location:	Romney Building - Central Conference Room - 3rd FL (Lunch will be provided)
Start:	Fri 1/17/2014 12:00 PM
End:	Fri 1/17/2014 1:00 PM
Recurrence:	(none)
Meeting Status:	Accepted
Organizer:	Rustem, William (GOV)
Required Attendees:	Wyant, Dan (DEQ); Saxton, Thomas (Treasury); Sygo, Jim (DEQ); Thelen, Mary Beth (DEQ); Pleyte, Beth (Treasury); Hall, Jean (GOV)

Call Valerie on her cell 517-[redacted]

Koryzno, Edward (Treasury)

From: Maxine Murray <mmurray@cityofflint.com>
Sent: Tuesday, January 21, 2014 9:46 AM
To: Baird, Richard (GOV); ByrneR1@michigan.gov; Deasy, Thomas (MSP); Etue, Kriste (MSP); Kapp, Gene (MSP); Lee, Nichole (MSP); Muchmore, Dennis (GOV); Roberts, John (GOV); Sands, Thomas (MSP); Sipes, Stephen (MSP); West, Samantha (GOV); Dempkowski, Angela (Treasury); Larkin, Brian (GOV); Darnell Earley; Koryzno, Edward (Treasury); Clement, Elizabeth (GOV); Elizabeth Murphy; Hollins, Harvey (GOV); James Tolbert; Jerry Ambrose; Klotz, Josephine (MSP); O'Neill, Stephen (MSP); Saxton, Thomas (Treasury); Workman, Wayne (TREASURY)
Subject: Conference Call Agenda for Wednesday, January 22, 2014
Attachments: Weekly Phone Conference Agenda for January 22, 2014.doc

Good morning,

Please find attached the agenda for the weekly conference call scheduled for Wednesday, January 22nd.

Thank you.

--
Maxine Murray
Executive Assistant to
Mayor Dayne Walling
Darnell Earley, Emergency Manager
1101 S. Saginaw Street
Flint, MI 48502
810.237.2035 Telephone
810.766.7218 Fax

City of Flint Weekly 9:00 am Phone Conference Agenda

1) Michigan State Police – checklist, comments, concerns

2) Chief Tolbert's Update – Stats, initiatives, other

3) Fire Department Issues (if any)

4) Rich Baird – Gov. Office comments

5) B. Clement – comments, questions

~~6) Retiree Law Suit Status – off-line follow-up~~

7) Budget Update: FY13 – Audit, FY14 – current status, FY15 - plan

   Model Labor Contracts – status

8) KWA, Water Plant Preparation, Water/Sewer Rate Study

9) City Ordinance Review

10) Deficit Elimination Plan – Treasury

11) Master Plan Implementation Activity - Zoning Ordinance Revision

12) Status Report on the Flint City Council

13) Governance Revision – Blue Ribbon Cmte.

14) 9-1-1 Reconsolidation Plan – Tower Project

15) BS&A Upgrade

16) Strong Cities, Strong Community Update

17) Financial and Operating Plan – submitted 11/21/13, Qrtly Report – submitted 1/15/14

18) MEDC – Transportation Economic Development Fund - Application/Waiver

19) Other

Created on 01/21/14

Pleyte, Beth (Treasury)

Subject:	DWSD / Sue Mc
Location:	Cad Place
Start:	Wed 1/22/2014 2:00 PM
End:	Wed 1/22/2014 3:00 PM
Recurrence:	(none)
Organizer:	Saxton, Thomas (Treasury)

City of Flint Weekly 9:00 am Phone Conference Agenda

1) Michigan State Police – checklist, comments, concerns

2) Chief Tolbert's Update – Stats, initiatives, other
   Governor's Request to Flint/Gen Cnty. on Public Safety ask

3) Rich Baird – Gov. Office comments

4) B. Clement – comments, questions

5) Retiree Law Suit Status – off-line follow-up

6) Budget Update: FY14 – current status, FY15 - plan

7) Model Labor Contracts – status

8) KWA, Water Plant Preparation, Water/Sewer Rate Study

9) City Ordinance Review

10) Deficit Elimination Plan – Treasury

11) Master Plan Implementation Activity - Zoning Ordinance Revision, Public Safety, CDBG

12) Status Report on the Flint City Council

13) Governance Revision – Blue Ribbon Cmte.

14) 9-1-1 Reconsolidation Plan – Tower Project

15) Strong Cities, Strong Community Update

16) Financial and Operating Plan – submitted 11/21/13, Qrtly Report – submitted 1/15/14

17) MEDC – Transportation Economic Development Fund - Application/Waiver

18) Other – MDOT unfunded mandated projects

Created on 01/28/14

1-[redacted], access code [redacted]

Present Value Analysis of 72-inch Water Transmission Main for City of Flint

Final Report – January 28, 2014

Lockwood, Andrews & Newnam, Inc.

Project # 130-10701-001

Lockwood, Andrews & Newnam, Inc.
A LEO A DALY COMPANY
PLANNING ENGINEERING PROGRAM MANAGEMENT

Introduction

Lockwood, Andrews, & Newnam, Inc. (LAN) was retained by the City of Flint (City) to perform a pipeline value assessment of the existing 72-inch water transmission main from the Detroit pipeline connection at the intersection of Baxter and Potter Roads to the Flint Water Treatment Plant (FWTP). The 72-inch transmission main was constructed from 1966 to 1968 to supply the FWTP with water from the Detroit Water and Sewerage Department (DWSD). With the original 30 year contract with DWSD expired, the City of Flint plans to establish a new contract with the Karegnondi Water Authority (KWA) beginning in 2015, which would require the KWA to provide raw water to the FWTP.

In order to provide raw water to the FWTP, the KWA will connect a 36-inch transmission main to the existing City-owned 72-inch water main near the northeast corner of Center and Pierson Roads. The Genesee County Drain Commissioner's Office-Division of Water & Waste is interested in purchasing the east portion of the 72-inch transmission main from this connection to the DWSD connection at Baxter and Potter Roads which is being defined in this analysis as Segment 1, while KWA has requested the use of the 72-inch pipeline west of this connection point to the FWTP which is being classified as Segment 2. Our analysis of these two segments is intended to help the City establish an equitable monetary value of both sections. A schematic of the limits of the pipeline and segments 1& 2 is shown in Attachment A.

Analyses

In order to value the segments of the 72-inch transmission main requested, quantities were derived from original construction drawings. Using the as-built cost established from the quantity take off, two (2) analyses were performed on the water main based on different valuation methods. Original Cost Less Depreciation (OCLD) and Reproduction Cost New Less Depreciation (RCNLD) methods were used in conjunction with the sinking fund depreciation technique to develop a credible current value assessment of the pipeline.

Quantity Take-Off

Using the Consoer, Townsend & Associates construction drawings dated 1966 (Attachment B) and the payment document dated January 1969 (Attachment C), a quantity take-off analysis was performed to determine the original construction cost of the section of 72-inch water main as described above. Line items originally listed as "linear feet" or "each" were summed to determine the value within the evaluation limits. Lump sum line items with information available, such as "gate valves complete in place" and "rubber seated butterfly valves," were counted and the ratio of the items within the limits to the whole project was applied to the lump sum price. For any unit with no quantifiable documentation, such as "sand and gravel refill" and "sand and gravel backfill," the ratio of the 72-inch pipeline within the evaluation limits to the whole project was applied to the total cost for the unknown line item. Line items determined to be outside the limits of the valuation were listed with a zero percent ratio.

OCLD Analysis

The Original Cost Less Depreciation valuation method uses the original cost of the project when constructed minus the depreciated value to determine the current value. The initial asset value was determined using the information established from the quantity take-off analysis and the original cost information found in the payment document dated January 1969.

RCNLD Analysis

Reproduction Cost New Less Depreciation is a valuation method that translates initial project costs to present day cost of construction. A new present day construction cost is calculated based on the original construction, followed by a depreciation method used to calculate the current book value of the asset. The Engineering News-Record (ENR) Construction Index and the Handy-Whitman Cost Index for Concrete Cylinder Mains were possible references to determine the ratio used in calculating the present day cost. For this evaluation, the ENR index was selected to calculate the RCNLD initial asset value. A ratio of the current ENR index from September 2013 (9551.58) to the bid date ENR index from May 1966 (1014) was multiplied by the OCLD asset value to get the RCNLD initial asset value.

Sinking Fund Depreciation

The sinking fund depreciation method is commonly used within the utility industry. This method of depreciation accurately reflects the service life of a utility line, having a low initial depreciation upon installation due to low maintenance during the early years of a utility. As the service life of a utility progresses and maintenance becomes more frequent and comprehensive, the depreciation of the asset increases over time.

Due to the fact that a transmission pipeline must be functional and meet all necessary standards of service until the day it is taken out of service, an intrinsic value will always remain; therefore, a salvage value must be determined prior to the depreciation calculation. Similarly, the useful life of the asset must be pre-determined. The industry standard for the useful life of a pipeline ranges from 50 to 100 years. Typically, lower useful life values are used for distribution mains, whereas higher values are used for transmission systems. For transmission mains similar to the 72-inch being analyzed, a useful life of 75 to 90 years is common. We have selected a useful life of 80 years for this analysis.

In addition to the salvage value and useful life, sinking fund depreciation requires a sinking fund rate, which was selected as 4.50% and 0.75% for OCLD and RCNLD respectively, reflecting the federal discount rate during the construction time analyzed. Due to the sinking fund rate, the annual depreciation varies depending on the year and can be calculated using Eq. 1 and Eq. 2 below.

Eq. 1 $$D_t = \frac{(A-S)*(1+J)^{(t-1)}}{S_{n|J}}$$

Eq. 2 $$S_{n|J} = \frac{(1+J)^n-1}{J}$$

where:

t	=	Evaluation time (years)
D_t	=	Depreciation at year t
A	=	Initial asset value
S	=	Salvage value of asset
J	=	Sinking fund rate

The sum of the annual depreciation values until the evaluation year is subtracted from the initial value to calculate the current book value of the asset value.

Results

Segment 1

RCNLD and OCLD analyses were performed using a sinking fund depreciation of the 72-inch pipeline and appurtenances from the DWSD connection at Baxter and Potter Roads, west to the proposed 36-inch KWA connection at Center and Pierson Roads. Due to the size of the project and the portion involved in this segment (similar size piping and valves only) the RCNLD value of $27,400,000 was determined to be unrepresentative of the actual asset value. Utilizing the OCLD values listed below, a book value of **$3,988,000** was calculated for this portion of the pipeline.

Table 1 – Segment 1 OCLD Analysis

ORIGINAL COST LESS DEPRECIATION SINKING FUND DEPRECIATION ANALYSIS	
INPUTS	
Initial Cost	$ 4,735,900
Useful Life (years)	80
Salvage Value at End of Life*	$ 1,184,000
Sinking Fund Rate	4.50%
Evaluation Year	47
OUTPUTS	
S_{nlj}	729.56
Total Depreciation at Year 47	$ 748,200
Book Value	$ 3,987,700

*25% Salvage value

Segment 2

RCNLD and OCLD analyses were performed using a sinking fund depreciation of the 72-inch pipeline and appurtenances beginning at the KWA tie-in at Center and Pierson Roads, west to the property line of the FWTP. Utilizing the RCNLD values listed below, a book value of $5,269,600 was calculated for this portion of the pipeline using the following evaluation criteria:

Table 2 – Segment 2 RCNLD Analysis

REAL COST NEW LESS DEPRECIATION SINKING FUND DEPRECIATION ANALYSIS	
INPUTS	
Initial Cost	$ 8,953,900
Useful Life (years)	80
Salvage Value at End of Life*	$ 1,790,800
Sinking Fund Rate	4.50%
Evaluation Year	47
OUTPUTS	
S_{nlj}	109.07
Total Depreciation at Year 47	$ 3,684,300
Book Value	$ 5,269,600

*20% Salvage value

Utilizing the OCLD values listed below, a book value of $790,400 was calculated for this portion of the pipeline using the following evaluation criteria:

Table 3 – Segment 2 OCLD Analysis

ORIGINAL COST LESS DEPRECIATION SINKING FUND DEPRECIATION ANALYSIS	
INPUTS	
Initial Cost	$ 950,600
Useful Life (years)	80
Salvage Value at End of Life*	$ 190,100
Sinking Fund Rate	4.50%
Evaluation Year	47
OUTPUTS	
S_{nij}	729.56
Total Depreciation at Year 47	$ 160,200
Book Value	$ 790,400

*20% Salvage value

The asset value of segment 2 was determined using the average of the OCLD and RCNLD analyses. A current book value of $3,030,000 was calculated.

Summary

OCLD and RCNLD analyses are an effective method of calculating the depreciation of an installed utility, as well as the opportunity cost to the buyer of purchasing an installed utility. After performing these analyses using the sinking fund method of depreciation, current book values of the segments were determined. The portion of the 72-inch transmission main from the DWSD connection at Baxter and Potter Roads, west to the proposed 36-inch KWA connection at Center and Pierson Road, **Segment 1**, has a current book value of $3,987,700. The portion of the 72-inch transmission main beginning at the KWA tie-in at Center and Pierson Roads, west to the property line of the FWTP, **Segment 2**, has a current book value of $3,030,000.

DEPARTMENT OF LAW

MEMORANDUM

TO: Wayne Workman
Randall Byrne
Fred Headen

CC: Darnell Earley

FROM: Peter M. Bade P.M.B.

RE: Alternative Proposal for Sale of Water Transmission Main

DATE: May 28, 2014

On May 12, 2014, Emergency Manager Darnell Earley presented to the Flint City Council a proposal for sale of a portion of the 72 inch water transmission main to the Genesee County Drain Commissioner.

A special meeting of the Flint City Council was held on Monday, May 19, 2014 to discuss the proposal. Pursuant to MCL 141.1559(2), Council adopted a resolution rejecting the proposal.

A second special meeting was scheduled on Wednesday, May 21, 2014 for the purpose of discussing an alternative proposal.

At the May 21st meeting, Council members acknowledged they did not have an alternative proposal. However, pursuant to a motion by Councilman Sheldon Neeley, a resolution was adopted recommending the water main sale price be increased to $4 million dollars, with equal payments over two years.

Pursuant to MCL 141.1559(2), Council had seven (7) days from the date of their rejection of the proposed action to submit to the local emergency financial assistant loan board an alternative proposal that would yield substantially the same financial result as the action proposed by the

Emergency Manager. Accordingly, the deadline for submission of Council's alternative proposal was Tuesday, May 27, 2014.

Council did not submit an alternative proposal to the local emergency financial assistant loan board.

S:\P. Bade\EM2014\Memos\Revised MM to DEarley re Water Transmission Main 5-28-14.docx

WATER TRANSMISSION MAIN

ACQUISITION AGREEMENT

BY AND BETWEEN

CITY OF FLINT

AND THE

GENESEE COUNTY DRAIN COMMISSIONER AS COUNTY AGENCY

DATED MAY 12, 2014

ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT ("Agreement") is made this 12 day of May, 2014 ("Execution Date"), and effective May 12, 2014 ("Effective Date"), by and between the City of Flint, a Michigan municipal corporation (hereinafter "Flint"), and the Genesee County Drain Commissioner, as County Agency, a public agency pursuant to the County Public Improvement Act of 1939, as amended (the "County Agency"). The Effective Date of this Agreement shall be contingent upon a condition antecedent that the Agreement has been reviewed by the City of Flint City Council and no alternative has been proposed and the State of Michigan Department of Treasury has approved this Agreement as required by Act 436 of the Michigan Public Acts of 2012, as amended, which is commonly referred to as the Local Financial Stability and Choice Act. If either the City of Flint City Council or the State of Michigan Department of Treasury fails to approve this Agreement prior to May 1, 2014, then the Agreement shall be effective immediately upon the City of Flint City Council failing to offer an alternative and the Michigan Department of Treasury approving this Agreement.

PREAMBLE

It is the intent of the Parties for Flint to sell to the County Agency the Water Main, subject only to the restrictions more fully set forth in this Agreement, for the mutual consideration set forth in this Agreement for the County Agency's unrestricted use.

RECITALS

A. Flint desires to sell the Water Main to the County Agency; and

B. The County Agency desires to purchase the Water Main from Flint; and

C. The Parties have determined that it is in their respective best interests for the County Agency to acquire, upon the terms and subject to the conditions set forth herein, the Water Main from Flint if the Karegnondi Water Authority constructs a new raw water pipeline from Worth Township, Michigan to Genesee County, which shall furnish raw water to the City of Flint; and

D. In furtherance thereof, it is proposed that the County Agency acquire the Water Main for the mutual consideration set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and representations set forth in this Agreement, the Parties agree as follows:

ARTICLE I
INTRODUCTORY PROVISIONS; DEFINITIONS

1.1. Adoption of Preamble and Recitals. All of the matters stated in the preamble and recitals of this Agreement are true and correct and are hereby incorporated into the body of this Agreement as through fully set forth in their entirety herein, provided that in cases of conflict, provisions of this Agreement shall control over matters stated in the preamble and recitals.

1.2. Definitions. The following terms and expressions as used in this Agreement, unless the context clearly shows otherwise, shall have the following meanings:

a. "Closing" means the closing of the transactions contemplated by this Agreement.

b. "Closing Date" means the mutually acceptable date to be scheduled within thirty (30) days after execution of this Agreement or on a date as mutually acceptable to the Parties for the Closing to take place.

c. "County Agency" means the Genesee County Drain Commissioner, as County Agency, Genesee County, Michigan, pursuant to Act 342 of the Michigan Public Acts of 1939, as amended.

d. "Emergency Manager" means an emergency manager or financial emergency manager as defined by law that is appointed by the Governor of the State of Michigan pursuant to law.

e. "Flint" means the City of Flint, Genesee County, Michigan.

f. "Party" or "Parties" means the Genesee County Drain Commissioner, as County Agency, individually, the City of Flint, individually, or the Genesee County Drain Commissioner, as County Agency and the City of Flint, collectively.

g. "Real Property Agreements" means all agreements that affect real property, including, but not limited to, licenses, leases, easements, or similar documents.

h. "Water Main" means the water transmission main as more fully described in **Exhibit A**, including, but not limited to, all appurtenances thereto including any meter pits connected thereto, along with the water contained therein and all drawings, files, laying schedules, records of repairs, maintenance files, repair parts, etc. Including by way of example, and not as a limitation, meter vaults, meters, pumps, air relief valves, sump pumps, electrical connections, communication devices and all other mechanical, electrical, or other equipment used to pump water through the Water Main or bring attention to an emergency situation.

ARTICLE II
THE PURCHASE AND SALE

2.1 Transfer to the County Agency. In accordance with the provisions of this Agreement, in consideration for the payment of the Purchase Price as set forth in Section 2.3 of this Agreement and other good and valuable consideration, and subject to the contingencies set forth in Article 8 and Article 9, Flint shall transfer and convey the Water Main to the County

Agency, effective either when Flint provides the County Agency thirty (30) days written notice of its intent to transfer the Water Main or at 12:01 a.m. local time on July 1, 2014, whichever event occurs first in time, including all rights as Flint may have pursuant and any and all Rights of Way and Easements, copies of which are attached hereto as **Exhibit B**, and other instruments of transfer to be delivered at the Closing, as set forth in Article III of this Agreement, in accordance with the provisions relating to the Closing.

2.2 Acquisition by the County Agency. The County Agency, in reliance upon the covenants and representations of Flint contained herein and the documents provided by Flint, hereby agrees to acquire the Water Main from Flint.

2.3 Purchase Price. As part of the consideration for the transfer and conveyance of the Water Main to the County Agency from Flint, the County Agency shall make a lump sum payment within thirty (30) days from the execution of this Agreement, in a sum equal to Three Million Nine Hundred Eighty-Seven Thousand Seven Hundred Dollars and Zero Cents ($3,987,700.00), inclusive of all interest, fees, charges, or other costs (the "Purchase Price").

ARTICLE III
CLOSING

3.1 Closing. The Closing will take place at the offices of Sargent's Title Company, 625 S. Grand Traverse, Flint, Genesee County, Michigan, on such date as shall be mutually acceptable to the Parties within thirty (30) days after the execution of this Agreement or on a date as mutually acceptable to the Parties.

3.2 Deliveries. At the Closing, the transactions listed below shall occur.

a. The County Agency shall deliver to Flint:

1. A certified letter from the Genesee County Drain Commissioner stating that he has the authority, pursuant to Act 342 of the Michigan Public Acts of 1939, as amended, to execute and deliver this Agreement and the transactions contemplated hereby; and

2. An opinion of legal counsel to the County Agency reasonably satisfactory to Flint, providing that the transactions contemplated by this Agreement do not violate the provisions of Act 342 of the Michigan Public Acts of 1939, as amended, or other applicable laws and such additional matters and in form and substance satisfactory to Flint and its counsel; and

3. A certified letter from the Genesee County Drain Commissioner as to the accuracy of its representations and warranties as of the date of this Agreement and as of the Closing and as to its compliance with and performance of its covenants and obligations to be performed or complied with at or before the Closing; and

b. Flint shall deliver to the County Agency:

1. A certified resolution of the City Council of the City of Flint or an Order of the Emergency Manager, if applicable, or both, authorizing the execution and delivery of this Agreement and the transactions contemplated hereby; and

2. An executed bill of sale for all of the Water Main that is tangible personal and real property executed by a representative of Flint authorized to sign the bill of sale or an Order of the Emergency Manager, if applicable, or both; and

3. An Assignment of Rights of Way and Easements, or such other appropriate document or instrument of transfer, as the case may require, and executed by a representative of Flint authorized to sign the bill of sale or an Order of the Emergency Manager, if applicable, or both; and

4. Such other documents and other instruments of transfer and conveyance as may reasonably be needed to complete the transactions contemplated hereby; and

5. A certified letter from the Mayor or Emergency Manager as to the accuracy of its representations and warranties as of the date of this Agreement and as of the Closing and as to its compliance with and performance of its covenants and obligations to be performed or complied with at or before the Closing; and

6. An opinion of legal counsel of Flint, reasonably satisfactory to the County Agency, providing that the transactions contemplated by this Agreement do not violate the City Charter of Flint, local ordinances or laws, and such additional matters and in form and substance satisfactory to the County Agency and its counsel and

3.3 Transfer of Operation. The County Agency took over maintenance and operation of the Water Main pursuant to the MOU between the parties dated April 29, 2014, and it is understood by the parties that the County Agency shall continue to operate and maintain the water main from this date forward.

3.4 Expenses. Flint and the County Agency shall each bear their own expenses incurred by them in connection with the transactions contemplated by this Agreement, including without limitation, consultants' fees, legal fees and accounting fees, whether or not such transaction is consummated.

3.5 Closing Costs. If there are any costs associated with the Closing, including costs to be paid to the title company, filings, recording costs, or other costs, fees, or expenses, the costs shall be paid by the County Agency.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF FLINT

Flint makes the following representatives and warranties to the County Agency:

4.1 Corporate Organization. Flint is a municipal corporation duly organized, validly existing and in good standing under the laws of the State of Michigan.

4.2 Authorization. Flint or the Emergency Manager has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and thereby. Assuming due and valid authorization, this Agreement will constitute a legal, valid and binding obligation of Flint, enforceable against Flint in accordance with its terms, except as the enforcement thereof may be limited by applicable principles of bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors and subject to general principles of equity.

4.3 Easements and Rights of Way.

a. Exhibit C identifies all of the real property occupied by the Water Main.

b. Upon reasonable title search and review provided by the County Agency to Flint of all of the real property occupied by the Water Main, Flint possesses all necessary, permanent, perpetual and transferable real property rights including easements, licenses or rights of way by prescription, necessity, implication or acquiescence necessary for the use, routine operation, and maintenance of the Water Main, except as disclosed on **Exhibit D**.

c. Flint has good and marketable title to the Water Main.

d. As of the Execution Date, there are no pending or threatened disputes or pending or threatened litigation with respect to any real property rights pertaining to the Water Main.

e. Flint agrees to provide access to the County Agency to any and all documents that are in Flint's possession regarding the Water Main. These documents include, but are not limited to, as built drawings, shop drawings, maintenance records, land records and easements, and any other document that relates to the

Water Main. The County Agency is free to take possession of the documents for the limited purpose of making any copies that are deemed necessary in the opinion of the County Agency. All original documents shall be returned by the County Agency to Flint in a timely manner.

4.4 WATER MAIN. THE WATER MAIN SHALL BE CONVEYED BY FLINT TO THE COUNTY AGENCY IN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" PHYSICAL CONDITION, WITH NO ADDITIONAL WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PHYSICAL CONDITION OF THE WATER MAIN THAT EXTEND BEYOND THE WARRANTIES EXPRESSLY STATED IN THIS AGREEMENT. EXCEPT FOR ANY EXPRESS WARRANTIES STATED IN THIS AGREEMENT, THE WATER MAIN SHALL BE CONVEYED WITH NO EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE.

4.5 Litigation. As of the Execution Date there is no action, suit or proceeding pending or threatened against or affecting Flint before any governmental entity in which there is a reasonable possibility of an adverse decision which could have a material adverse effect upon the ability of Flint to perform its obligations under this Agreement or which in any manner questions the validity of this Agreement.

4.6 Water Main Parts and Equipment. Flint agrees that it will provide to the County Agency any spare parts or equipment which, in the sole discretion of Flint, may only be used exclusively on the Water Main.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE COUNTY AGENCY

The County Agency makes the following representations and warranties to Flint and delivered to Flint on Execution Date, a copy of which is attached hereto:

5.1 Corporate Organization. The County Agency was established pursuant to Act 342 of the Michigan Public Acts of 1939, as amended. As County Agency, it is organized and validly existing under the laws of the State of Michigan and has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

5.2 Authorization. The County Agency has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and thereby. This Agreement will constitute a legal, valid and binding obligation of the County Agency, enforceable against the County Agency in accordance with its terms, except as the enforcement thereof may be limited by applicable principles of bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors and subject to general principles of equity.

5.3 No Conflict. The execution, delivery and performance by the County Agency of this Agreement, the compliance by the County Agency with any of the provisions hereof and thereof, and the consummation by the County Agency of the transactions contemplated hereby and thereby: (i) do not violate any Applicable Law; (ii) do not require the consent, approval, clearance, waiver, order or authorization of any person, organization, or entity; and (iii) do not conflict with, or result in any breach of, or default or loss of any right under (or an event or circumstance that, with notice or the lapse of time, or both, would result in a default), or the creation of any encumbrance pursuant to, or cause or permit the acceleration prior to maturity of any amounts owing under any indenture, mortgage, deed of trust, lease or other agreement to which the County Agency is a party, which failure, violation, conflict or breach would, in the aggregate, materially hinder or impair the consummation of the transactions contemplated by this Agreement.

5.4 Litigation. As of the Execution Date, there is no action, suit or proceeding pending or threatened against or affecting the County Agency before any governmental entity in which there is a reasonable possibility of an adverse decision which could have a material adverse effect upon the ability of the County Agency to perform its obligations under this Agreement or which in any manner questions the validity of this Agreement.

5.5 Due Diligence and Inspection. The County Agency acknowledges that it is being afforded the opportunity to conduct due diligence and investigation with respect to the transaction contemplated by this Agreement. The County Agency represents and warrants that it has conducted any and all such legal, factual, and other examinations, inquiries, investigations, and inspections, including conducting any tests, studies and examinations, that it, in its sole discretion, has determined necessary to complete such due diligence inspection to determine that the subject matter of this Agreement is suitable for the County Agency's intended use.

5.6 Environmental Matters. The County Agency represents and warrants that it has conducted any and all such legal, factual, and other examinations, inquiries, investigations, and inspections, including conducting any tests, studies and examinations, that it, in its sole discretion, has determined necessary to complete such due diligence inspection to have full knowledge of the environmental condition of the subject matter of this Agreement. County Agency shall enter into this Agreement subject to any and all environmental conditions present upon the subject matter of this Agreement.

5.7 Emergency Water Supply. The County Agency warrants that it will provide, to the extent the Detroit Water and Sewerage Department has available capacity treated water through the water main that is the subject matter of this Agreement in an emergency situation to Flint until such time as the Karegnondi Water Authority Water Transmission Pipeline construction is completed (which is estimated to be completed by May 2017) and the Karegnondi Water Authority is providing raw water to its customers.

The emergency supply of treated water to the Flint by the County Agency during the construction of the Karegnondi Water Authority Water Transmission Pipeline shall be at the prevailing rate and any additional charges, fees, special charges, and penalties, as billed by the Detroit Water and Sewerage Department to the County Agency.

If Flint shall need an emergency water supply after the Karegnondi Water Authority Water Transmission Pipeline has been installed and is operational, the County Agency will provide, to the extent the County Agency has available capacity, treated water through the water main that is the subject matter of this Agreement in an emergency situation to Flint. The emergency supply of treated water to Flint by the County Agency after the Water

Transmission Pipeline has been installed and is operational, shall be at the prevailing rate and any additional charges, fees, special charges, and penalties, if applicable, as billed by the Detroit Water and Sewerage Department to the County Agency.

ARTICLE 6
COVENANTS OF FLINT

Flint covenants and agrees with the County Agency as follows:

6.1 Operation and Maintenance of the Water Main until Closing. Between the Execution Date of this Agreement and the Effective Date of this Agreement, Flint shall:

a. Operate the Water Main in the ordinary course of business; and

b. Maintain all books and records relating to the operation of the Water Main in the ordinary course of business; and

c. Fix any known breaks or leaks in the Water Main, except those set forth on **Exhibit F**; and

c. Promptly notify the County Agency of any emergency or other change in the normal course relating to the Water Main (or communications indicating that the same may be contemplated.

6.2 Litigation and Claims. Flint shall promptly inform the County Agency in writing of any Claims of which Flint is or becomes aware that are or might reasonably be expected to become the subject of litigation affecting the Water Main or the transactions contemplated by this Agreement.

6.3 Notice of Changes. Flint shall inform the County Agency in writing if it becomes aware that any representation or warranty made by Flint in this Agreement has ceased to be accurate or if Flint becomes aware of the occurrence of any breach of any covenant or other agreement required by this Agreement to be performed or complied with by Flint.

ARTICLE 7
COVENANTS OF THE COUNTY AGENCY

The County Agency hereby covenants and agrees with Flint as follows:

7.1 Cooperation. Subject to the terms and conditions of this Agreement, the County Agency shall cooperate with Flint to use its best efforts to secure all necessary consents, approvals, authorizations, exemptions and waivers from all persons and entities as shall be requested by Flint or required to be obtained in order to consummate the transactions contemplated hereby.

7.2 Litigation and Claims. The County Agency shall promptly inform Flint in writing of any claims (or communications indicating that the same may be contemplated) of which the County Agency is or becomes aware that are or might reasonably be expected to become the subject of litigation affecting the Water Main or the transactions contemplated by this Agreement.

7.3 Notice of Changes. The County Agency shall inform Flint in writing if it becomes aware that any representation or warranty made by the County Agency in this Agreement has ceased to be accurate or if the County Agency becomes aware of the occurrence of any breach of any covenant or other agreement required by this Agreement to be performed or complied with by the County Agency.

ARTICLE 8
CONDITIONS AND OBLIGATIONS OF FLINT

The obligations of Flint to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction (or waiver by Flint) on or prior to the Closing of all of the following conditions:

8.1 Accuracy of Representations and Warranties. Except as otherwise noted in this Agreement, the representations and warranties of Flint set forth in this Agreement shall be true and correct in all material respects as of the date when made and as of the Closing.

8.2 Performance of Covenants and Agreements. Flint shall have duly performed and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing. None of the events or conditions entitling the County Agency to terminate this Agreement under Article 10 hereof shall have occurred and be continuing.

8.3 Consents. Any consent required for the consummation of this purchase and sale under any agreement, contract, law, license or other instrument described in any exhibit hereto or referred to herein, or for the continued enjoyment by the County Agency of any benefits of such agreement, contract, license or other instrument after the Closing, which consent Flint is specifically obligated to obtain pursuant to this Agreement shall have been obtained and be effective as set forth in this Agreement.

8.4 Governmental Approvals. All requisite regulatory approvals, if any, shall have been obtained or made and shall be in full force and effect. There shall be no injunction, restraining order or decree of any nature that restrains or prohibits the transactions contemplated by this Agreement.

8.5 No Proceedings. Since the Execution Date of this Agreement, there shall not have been commenced or threatened against Flint, including any proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, the transactions contemplated by this Agreement, or (b) that may have the effect of preventing, delaying, making illegal, imposing limitations or conditions on or otherwise interfering with any of the transactions contemplated by this Agreement.

8.6 Documents. Flint shall have received from the County Agency all of the documents identified in Sections 3.2.a.1, 3.2.a.2, and 3.2.a.3 of this Agreement.

ARTICLE 9
CONDITIONS AND OBLIGATIONS OF THE COUNTY AGENCY

The obligations of the County Agency to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction (or waiver by the County Agency) on or prior to the Closing of all of the following conditions:

9.1 Accuracy of Representations and Warranties. Except as set forth in the Exhibits, the representations and warranties of the County Agency set forth in this Agreement shall be true and correct in all material respects as of the date when made and at and as of the Closing.

9.2 Performance of Covenants and Agreements. The County Agency shall have duly performed and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing. None of the events or conditions entitling the County Agency to terminate this Agreement under Article 10 hereof shall have occurred and be continuing.

9.3 Consents. Any consent required for the consummation of the transactions contemplated by this Agreement under any agreement, contract, license or other instrument described in any schedule or exhibit hereto or referred to herein, which consent the County Agency is specifically obligated to obtain pursuant to this Agreement shall have been obtained and shall be effective as set forth in this Agreement.

9.4 Governmental Approvals. All requisite regulatory approvals shall have been obtained or made and shall be in full force and effect. There shall be no injunction, restraining order or decree of any nature that restrains or prohibits the transactions contemplated by this Agreement.

9.5 No Proceedings. Since the Execution Date of this Agreement, there shall not have been commenced or threatened against the County Agency any proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, the transactions contemplated by this Agreement, or (b) that may have the effect of preventing, delaying, making illegal, imposing limitations or conditions on or otherwise interfering with any of the transactions contemplated by this Agreement.

9.6 Documents. The County Agency shall have received the documents identified in all of the Sections of this Agreement to be provided by Flint.

ARTICLE 10
TERMINATION PRIOR TO CLOSING

10.1 Termination.

a. This Agreement may be terminated at any time prior to the Closing:

1. By the mutual written consent of Flint and the County Agency;

2. By Flint in writing if the County Agency fails to perform any condition, obligation of any provision of this Agreement and fails to correct the non-performance within five (5) days (or other period of time as mutually agreed to by the Parties) of being notified by Flint;

3. By the County Agency in writing if Flint fails to perform any condition, obligation of any provision of this Agreement and fails to correct the non-performance within five (5) days (or other period of time as mutually agreed to by the Parties) of being notified by the County Agency;

4. By Flint if the transaction is not approved by all its governing body, the emergency manager, or the Treasurer of the State of Michigan, if such approval is required;

5. By either Party, if the other Party fails to timely satisfy those conditions set forth in Article 8 or Article 9, as appropriate.

b. This Agreement may be terminated by the County Agency in writing on or before May 1, 2014, if it shall not have been satisfied in its sole discretion with the results of the County Agency's continuing due diligence investigations of the Water Main, including, without limitation, with respect to all operational, financial, environmental, legal and accounting matters.

c. This Agreement may be terminated by either party upon written notice if the Karegnondi Water Authority fails to construct the proposed Water Main from Worth Township to Genesee County.

d. This Agreement may be terminated by either party upon written notice if the cost of construction of the Water Main from Worth Township to Genesee County by the Karegnondi Water Authority exceeds the limitations set forth in the Financing Agreement between the Karegnondi Water Authority, Flint, and the County Agency. A unit is defined as one million gallon per day, U.S. Liquid Measure.

e. In the event of any termination pursuant to this Article 10, any amounts paid by the County Agency to Flint or from Flint to the County Agency shall be refunded within thirty (30) days. In the event that either party to this Agreement fails to refund any amounts paid within thirty (30) days, the amount due and owing shall accumulate interest at the rate of 1.5% per month, until such time as the debt is paid.

10.2 Effect on Obligations. Termination of this Agreement pursuant to this Article 10 shall terminate all obligations of the Parties hereto; provided, however, that termination pursuant to Sections 10.a.2 or 10.a.3 hereof shall not relieve any defaulting party from any liability to the other party hereto resulting from such failure to perform. Notwithstanding the foregoing, any and all existing agreements (other than this Agreement) between Flint and the County Agency which are related to the Water Main shall remain in full force and effect following any termination of this Agreement unless and until such existing agreements are otherwise terminated pursuant to the terms thereof.

ARTICLE 11
TERMINATION AFTER CLOSING BY COUNTY AGENCY

This Agreement may be terminated at the sole discretion of the County Agency after Closing, if Flint fails to provide the County Agency with an easement, license, or similar document for the portion of the Water Main that is located on private property as identified in **Exhibit D**, prior to Friday, June 30, 2015, unless Flint has filed an action in a court of competent jurisdiction to condemn the property or a portion of the property necessary to ensure that the County Agency has access to the Water Main under the private property to replace, repair, maintain, or perform any other action commonly associated with the ownership of a water main.

In the event of a termination by the County Agency pursuant to this ARTICLE 11, the County Agency shall be entitled to a complete refund or repayment of any amounts paid to Flint pursuant to ARTICLE 2, Section 2.4 of this Agreement. If this Agreement is terminated by the County Agency for any reason set forth herein, then Flint shall immediate become responsible for the operation, maintenance and administration of the Water Main beginning at 12:01 a.m. (local time) the next business day after the notice of termination is received by Flint.

After the County Agency receives all amounts to be refunded or repaid by Flint as set forth in the preceding paragraph, the County Agency shall execute any and all documents necessary to return title to the Water Main to Flint. Additionally, the County Agency shall assign or transfer any property easements and execute any other documents necessary to fully transfer the Water Main back to Flint as if this Agreement did not exist. Flint shall be responsible for all costs of recording the documents and any closing costs in the event of a termination pursuant to this ARTICLE 11 by the County Agency.

ARTICLE 12
REMEDIES FOR BREACHES OF THIS AGREEMENT

12.1 Survival of Representations and Warranties. All of the representations, warranties and covenants of the County Agency and Flint contained in this Agreement and the Exhibits hereto shall survive the Closing and continue in full force and effect forever thereafter (subject only to any applicable statutes of limitations applicable to their breach).

12.2 Remedies Generally. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies existing at law or in equity may be availed of by any Party hereto and shall be cumulative. The Parties agrees that failure in the performance of this Agreement cannot be adequately compensated in money damages alone. In the event of any default by a Party, the other Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies which may also be available. No waiver or waivers of any breach or default (or any breaches or defaults) by any Party hereto or of performance by any other Party of any duty or obligation hereunder shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstance.

12.3 Remedies for Breach of Representations, Warranties and Covenants. If a Party sustains any losses because the representations or warranties provided by the other Party are incorrect or untrue or because the other Party has breached its covenants given herein, the other Party shall be liable for all losses incurred by the Party to cure such representations, warranties or covenants, including attorney fees. In addition or in the alternative, the Party may require the other Party to take such actions as required to cure such misrepresentations, warranties or breached covenants, within three (3) months or other amount of time mutually agreed to by the Parties.

12.4 Limitations on Certain Remedies.

a. The injured Party will take reasonable steps to mitigate all losses relating to a claim, including availing itself of any defenses, limitations, and will provide such evidence and documentation of the nature and extent of a claim as may be reasonably requested by the other Party. The injured Party's reasonable steps include the reasonable expenditure of money to mitigate or otherwise reduce or eliminate any loss or expense for which a remedy would otherwise be due under this ARTICLE 12, and the reimbursing Party will reimburse the injured Party for the injured Party's reasonable expenditures, including attorney fees and costs.

b. Notwithstanding anything contained to the contrary in any other provision of this Agreement, except in cases of a Party's gross negligence, willful misconduct or fraud, the obligations of each Party under Sections 12.2 and 12.3, and the recovery by any injured Party of any liabilities suffered or incurred by it as a result of any breach or non-fulfillment by a Party or any of its representations, warranties, covenants, agreements or other obligations under this Agreement, shall be limited to actual damages.

12.5 Survival of Remedies. The rights and obligations to remedies given in this Article 11 shall survive the Closing indefinitely.

ARTICLE 13
TERMINATION OF WATER SUPPLY CONTRACTS, AMENDMENTS, AND WAIVER OF NOTICE TO TERMINATE

Flint and Genesee County by and through its Drain Commissioner, as County Agency, pursuant to Act 342 of the Michigan Public Acts of 1939, as amended, have executed several Agreements in the past that shall be affected upon the execution of this Agreement. By executing this Agreement, Flint and the Genesee County by and through its Drain Commissioner, as County Agency, pursuant to Act 342 of the Michigan Public Acts of 1939, as amended, hereby expressly mutually terminate the following agreements in their entirety and further expressly waive any notice provisions set forth therein:

1. Agreement between the CITY OF FLINT, a Michigan Home Rule City Corporation and the COUNTY OF GENESEE, a Michigan County Corporation, by and through the Genesee County Drain Commissioner, having been designed as such by appropriate legislation in compliance with Act 342 of the Public Acts of 1939, and any subsequently named Agent for the County of Genesee dated June 28, 1972 (hereinafter "Water Agreement"); and

2. Agreement to amend the Water Agreement dated March 5, 1981; and

3. SUPPLEMENTAL AGREEMENT AND AMENDMENT TO CITY/COUNTY WATER AGREEMENT, dated March 31, 1988; and

4. AGREEMENT between the CITY OF FLINT, a Michigan municipal corporation, and the GENESEE COUNTY DRAIN COMMISSIONER, a designated County Agency dated February 20, 2001; and

5. 3rd AMENDMENT TO 1973 CITY/COUNTY WATER SUPPLY AGREEMENT, dated October 21, 2003, between the City of Flint, a Michigan municipal corporation and the County of Genesee, a political subdivision of the State fo Michigan and the Genesee County Dain Commissioner, the County Agency designated by the Genesee County Board of Commissioners pursuant to Act 342 of the Public Acts of 1939, as amended; and

6. 4th AMENDMENT TO 1973 CITY/COUNTY WATER SUPPLY AGREEMENT, dated December 30, 2011, between the City of Flint, a Michigan municipal corporation and the County of Genesee, a political subdivision of the State of Michigan by and through the Genesee County Drain Commissioner, the County Agency designated by the Genesee County Board of Commissioners pursuant to Act 342 of the Public Acts of 1939, as amended.

7. Any other Agreement or part of Agreement that directly conflicts with this Agreement and the intent contained therein as mutually agreed upon in writing by the parties hereto.

ARTICLE 14
MISCELLANEOUS

14.1 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated there under, unless the context requires otherwise. The word "including" shall mean including without limitation.

14.2 Incorporation of Exhibits. The following Exhibits attached hereto are incorporated herein by reference and made a part hereof:

Exhibit A: Description of Water Main

Exhibit B: Rights of way and easements held by Flint

Exhibit C: Real property occupied by the Water Main

Exhibit D: Flint's disclosure of real property occupied by the Water Main that Flint does not have the necessary transferable easement or real property rights for the use, routine, operation, and maintenance of the Water Main

Exhibit E: Flint's disclosure of any breaks or leaks in the Water Main that are known by Flint and that have not been repaired

14.3 Entire Agreement. This Agreement constitutes the sole understanding of the Parties hereto with respect to the matters provided for herein and supersedes any previous agreements and understandings between the Parties with respect to the subject matter hereof. No amendment, modification or alteration of the terms or provisions of this Agreement shall be binding unless the same shall be in writing and duly executed by Flint and the County Agency and in compliance with Section 14.9.

14.4 Successors and Assigns. This Agreement will inure to the benefit of and be binding upon Flint and the County Agency and their respective successors and assigns. This Agreement and any of the rights, interests or obligations hereunder may be assigned by either Party hereto without the prior written consent of the other Party hereto.

14.5 Invalidity. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the practical, economic and legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible. Invalid provisions shall be severed from this Agreement.

14.6 Counterparts; Facsimile Signatures. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument. This Agreement may be executed by facsimile signatures that shall be considered originals.

14.7 Headings. The headings of the articles, sections and paragraphs of this Agreement and of the Exhibits hereto are included for convenience of reference only and in no way define, limit or describe the scope of intent of any provision of this Agreement.

14.8 Construction and References. Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require. Unless otherwise specified, all references in this Agreement to articles, sections, paragraphs or clauses are deemed references to the corresponding articles, sections, paragraphs or clauses in this Agreement, and all references in this Agreement to exhibits are references to the corresponding exhibits attached to this Agreement.

14.9 Modification and Waiver. Any of the terms or conditions of this Agreement may be waived in writing at any time by the Party that is entitled to the benefits thereof. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether or not similar). Oral modifications of this Agreement are not permitted. Modification or amendment of this Agreement shall require the written approval of the Genesee County Drain Commissioner and the Flint City Council.

14.10 Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner described above shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three (3) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to Flint, to:

City of Flint
Attn: CHIEF LEGAL OFFICER
1101 South Saginaw Street
Flint, Michigan 48502

If to the County Agency, to:

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

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

14.11 Governing Law; Interpretation. This Agreement shall be construed in accordance with and governed by the laws of the State of Michigan. The Parties hereto (a) consent to the personal jurisdiction of the state courts located in Flint, Michigan or federal courts located in Southeastern Michigan in connection with any controversy related to this Agreement including, but not limited to, counterclaims or third party demands raised as a result of third party counterclaims initiated in any other jurisdiction; (b) waive any argument that venue in any such forum is not convenient; (c) agree that any litigation initiated by the County Agency or Flint in connection with this Agreement may be brought in either the state court located in Flint, Michigan or federal court located in Detroit, Michigan; and (d) agree that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

14.12 No Third-Party Beneficiaries. This Agreement is not intended to confer upon any person or entity, other than the Parties hereto, any rights or remedies of any kind or nature whatsoever.

14.13 Freedom of Information Act Requests. Flint agrees that if it receives a request for any documents relating to this Agreement, including Freedom of Information Act requests, Flint shall forward a copy of the request to the County Agency.

The County Agency agrees that if it receives a request for any documents relating to this Agreement, including Freedom of Information Act requests, the County Agency shall forward a copy of the request to Flint.

14.14 Interpretation. For purposes of interpretation of this Agreement, neither the County Agency nor Flint shall be deemed to have been the drafter of this Agreement.

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

ARTICLE 15
INDEMNIFICATION/HOLD HARMLESS

If at any time while Flint is securing legal access to any property identified in Exhibit ~~D~~ a the Water Main malfunctions, leaks, or requires the County Ageney to enter onto the property to repair the Water Main or perform another necessary service, and in the opinion of the County Agency the malfunction or leak may wait until access to the property is secured, Flint shall indemnify/hold harmless the County Agency for any water loss, damage, and/or environmental issues that may result from the malfunction or leak.

Any amount of water loss shall be determined by the County Agency with the assistance of Flint. The amount of loss shall be based on past experiences and practice. The County Agency shall invoice Flint for the total loss from the date the malfunction or leak was discovered until the repair has been completed. Flint shall timely pay the invoice pursuant to the terms stated in the invoice.

If the Water Main malfunction or leak requires immediate entry onto the property identified in Exhibit D, Flint shall provide all of the necessary resources necessary, including, but not limited to, an immediate payment for an easement, immediately filing an action for condemnation, or requesting a court of competent jurisdiction to provide a right of entry, to secure legal access to the property to repair any malfunction or leak.

It is expressly understood by the Parties hereto, that until such time as Flint secures access to the property identified in Exhibit D, Flint shall be responsible for any and all loss that is the result of a malfunction or break of the Water Main under the property identified in Exhibit D.

In Witness Whereof, the Parties hereto have executed this Agreement as of the date first above written.

COUNTY AGENCY

By: ______________________________
Jeff Wright, Genesee County Drain Commissioner, County Agency

ATTEST:

By: ______________________________

(OFFICIAL SEAL)

APPROVED AS TO FORM AND LEGALITY:

By: ______________________________________
Kevin K. Kilby, Counsel for the County Agency

FLINT

By: ______________________________________
Darnell Earley, Emergency Manager

ATTEST:

By: ______________________________________
Inez M. Brown, Clerk of the City of Flint

(OFFICIAL SEAL)

APPROVED AS TO FORM:

By: ______________________________________
Name and Title:

This Contract was prepared by:
McGraw Morris P.C.
Attorney Kevin Kilby (P68599)
2075 West Big Beaver Road
Suite 750
Troy, Michigan 48084
(248) 502-4000
kkilby@mcgrawmorris.com

N:\GCDC\2155-1000 (General)\Contracts and Agreements\Water Main Purchase from Flint\Water Main Sale Agreement COF GCDC - COF Version 1 as presented by Flint v10 April 22 2014 (clean).doc

Exhibit A

Description of Water Main

[LIMITED TO PORTION OF 72" PIPELINE AND APPURTENANCES FROM THE DWSD CONNECTION AT BAXTER ROAD AND POTTER ROAD, WEST TO THE PROPOSED 36 INCH KWA CONNECTION AT CENTER AND PIERSON ROAD]

Exhibit B

Rights of way and easements held by Flint

Exhibit C

Real property occupied by the Water Main

Exhibit D

Flint's disclosure of real property occupied by the Water Main that Flint does not have the necessary transferable easement or real property rights for the use, routine, operation, and maintenance of the Water Main

Exhibit E:

Flint's disclosure of any breaks or leaks in the Water Main that are known by Flint and that have not been repaired.

From:	Maxine Murray <mmurray@cityofflint.com>
Sent:	Tuesday, January 28, 2014 4:16 PM
To:	Baird, Richard (GOV); ByrneR1@michigan.gov; Deasy, Thomas (MSP); Etue, Kriste (MSP); Kapp, Gene (MSP); Lee, Nichole (MSP); Muchmore, Dennis (GOV); Roberts, John (GOV); Sands, Thomas (MSP); Sipes, Stephen (MSP); West, Samantha (GOV); Dempkowski, Angela (Treasury); Larkin, Brian (GOV); Darnell Earley; Koryzno, Edward (Treasury); Clement, Elizabeth (GOV); Elizabeth Murphy; Hollins, Harvey (GOV); James Tolbert; Jerry Ambrose; Klotz, Josephine (MSP); O'Neill, Stephen (MSP); Saxton, Thomas (Treasury); Workman, Wayne (TREASURY); Antonio Brown
Subject:	Weekly Conference Call Agenda for Wednesday, January 29, 2014
Attachments:	Weekly Phone Conference Agenda 012914.doc

Good afternoon,

Please find attached the agenda for the Wednesday, January 29th conference call.

Thank you.

--

Maxine Murray
Executive Assistant to
Mayor Dayne Walling
Darnell Earley, Emergency Manager
1101 S. Saginaw Street
Flint, MI 48502
810.237.2035 Telephone
810.766.7218 Fax

City of Flint Weekly 9:00 am Phone Conference Agenda

1) Michigan State Police – checklist, comments, concerns

2) Chief Tolbert's Update – Stats, initiatives, other
   Governor's Request to Flint/Gen Cnty. on Public Safety ask

3) Rich Baird – Gov. Office comments

4) B. Clement – comments, questions

5) Retiree Law Suit Status – off-line follow-up

6) Budget Update: FY14 – current status, FY15 - plan

7) Model Labor Contracts – status

8) KWA, Water Plant Preparation, Water/Sewer Rate Study

9) City Ordinance Review

10) Deficit Elimination Plan – Treasury

11) Master Plan Implementation Activity - Zoning Ordinance Revision, Public Safety, CDBG

12) Status Report on the Flint City Council

13) Governance Revision – Blue Ribbon Cmte.

14) 9-1-1 Reconsolidation Plan – Tower Project

15) Strong Cities, Strong Community Update

16) Financial and Operating Plan – submitted 11/21/13, Qrtly Report – submitted 1/15/14

17) MEDC – Transportation Economic Development Fund - Application/Waiver

18) Other – MDOT unfunded mandated projects

Created on 01/28/14

1-[redacted], access code [redacted]

Schafer, Suzanne K. (Treasury)

From:	Workman, Wayne (TREASURY)
Sent:	Friday, January 31, 2014 10:07 AM
To:	Schafer, Suzanne K. (Treasury); Barton, John (Treasury); Kulcsar, Jeanet (TREASURY)
Cc:	Martin, Mary G. (Treasury); Koryzno, Edward (Treasury); Ryan, Howard (Treasury); Dempkowski, Angela (Treasury)
Subject:	Fwd: COMPARISON OF CASH REQUIREMENTS FOR KWA CUSTOMERS
Attachments:	IRR Genesee 300M Project 5% plus LS 5 5% v7 Clean User Comparative Chart 1.29.14.xls; ATT00001.htm; $605,000,000 with all attachments.xls 1.29.14.xls; ATT00002.htm; Assumptions using BAN and Life Settlements financing.docx; ATT00003.htm

Could we have a brief call to discuss this life settlement bonding scheme. After we talk briefly , I would set a call with the promoters to explain it in detail. Thanks, Wayne

Sent from my iPad

Begin forwarded message:

> **From:** David Hodgkins <Dhodgkins@house.mi.gov>
> **Date:** January 30, 2014 at 12:32:35 PM EST
> **To:** "Ryan, Howard (Treasury)" <RyanH1@michigan.gov>, "Workman, Wayne (TREASURY)" <WorkmanW@michigan.gov>
> **Subject: COMPARISON OF CASH REQUIREMENTS FOR KWA CUSTOMERS**
>
> Hello Wayne and Howard,
>
> Below and attached are the numbers discussed by KWA at our recent meeting. Please let me know if you have any questions.
>
> **From:** Manny Lentine [mailto:manny@230north.org]
> **Sent:** Thursday, January 30, 2014 10:09 AM
> **To:** John Walsh; David Hodgkins; Matt Solak
> **Subject:** Fwd: COMPARISON OF CASH REQUIREMENTS FOR KWA CUSTOMERS
>
> Rep. Walsh,
>
> As follow-up to the meeting with Treasury in your office, the below has been prepared by John O'Brien of KWA and John Lininger of Neuma, I am told. Treasury (Wayne) had requested data from KWA.
>
> if this is not in an acceptable format (if, for example, you need an accompanying letter from KWA), please let Matt and I know and one of us will pursue that.
>
> Thank you.
>
> Manny
>
> Begin forwarded message:

TIME SENSITIVE ASSUMPTIONS USING BAN AND LIFE SETTLEMENTS FINANCING

1) March 1, 2014

200 million dollar BAN loan @ 1% for 13 months (construction capital) = 2,167,000 dollars annual interest

2) April 1, 2014

180 Million Dollar Life Settlement loan@ 5% for 20 year term. PREPAID INTEREST AND UNDERWRITER'S FEES, INTEREST ONLY FOR 3 YEARS, INCLUDED IN LOAN). Loan paid in full in 20 years or less

3) April 1, 2015

100 million dollar additional BAN financing plus 200 million dollar rollover of initial BAN. Total 300 million dollars @ 2% for 13 months = 6.5 million dollars interest. Total interest cost for both BAN financing totals 8,667,000.

4) May 1, 2016

Combined loan for capital improvements and Life Settlements, including pre-paid interest, total 605,000,000 million dollars; see financial model "A"

ASSUMPTIONS USING BOND FINANCING ONLY

1) March 1, 2014

600 million dollar bond financing loan @ 5% for 25 years = 27,349,383 million dollars per year principle and interest; see amortization schedule "B". Total repayment = 601,686,428 million dollars

COMPARATIVE FINANCING MODELS TO KWA BETWEEN:

- "A" combined annual capital and life settlement loan costs for 20 years
- "B" conventional bond transaction for 25 years

Exhibit A: Sample Cash Flows - 300M Project + LS w/ entity contribution

No of Policies:	235		
Avg. Face Value:	3,500,000	822,500,000	Total Face
Mortality Table (1-3):	1	Male 82 NS Select	
Secondary Mortality:	2	Male 82 NS Avg	
Blend Percent (Secondary Mortality):		20%	
Premium Percent:	3.00%	24,675,000	First Annual Premium
Cash Value (% Face):	1.00%	8,225,000	Useable Over: 3 Years
Cost (% of Face):	16.0%		
Loan Amt:	605,000,000		
Loan Interest Rate:	5.00%	LS Loan Rate:	5.50%

Used for Project:	300,000,000
Used for LS:	180,000,000
Prepaid Interest and other Obligations:	125,000,000

Mortality Table Legend		
Table No.	Table Identifier	Description
1	Male 82 NS Select	Most Conservative
2	Male 82 NS Avg	Median
3	Male 82 NS Ultimate	Optimal

Max Loan Bal	425,000,000	
Loan Repayment Amt:	605,000,000	Good
Net Cash Income:	9,697,253	
Remaining Policy Value:	17,271,142	

All transaction and svc. fees included

Life Settlement Amortization

Year	1	2	3	4	5	6	7	8	9	10
Beg Pool (Units)	235.0	230 1	223 7	215.8	205.1	191 8	176.2	158 7	139.8	120.3
Beg Pool ($)	822,500,000	805,296,590	782,968,997	755,445,283	718,009,672	671,377,513	616,684,597	555,360,058	489,252,636	421,085,066
Maturities (Units)	4 92	6 38	7 86	10.70	13 32	15 63	17.52	18.89	19.48	18.81
Maturities ($)	17,203,410	22,327,593	27,523,714	37,435,611	46,632,159	54,692,916	61,324,539	66,107,422	68,167,570	65,832,439
Premium Payments	(24 675 000)	(24,158,898)	(23 489,070)	(22,663,358)	(21,540 290)	(20 141 325)	(18,500,538)	(16 660 802)	(14,677,579)	(12 632 552)
Cash Value Used	2,741,667	2,741,667	2,741,667	0	0	0	0	0	0	0
Acquisition/Costs	(165,064,000)	0	0	0	0	0	0	0	0	0
Basic Cash Flows	(169 793 923)	910,362	6,776,310	14,772,252	25,091,869	34,551,591	42,824,001	49,446,620	53,489,991	53,199,887
Cash Account										
Beginning Balance	0	10,206,077	9,966,439	10,892,749	8,922,440	10,526,050	10,204,181	10,387,621	10,890,362	10,545,583
Initial Investment	180,000,000									
Cash Flow (above)	(169 793 923)	910,362	6,776,310	14,772,252	25,091,869	34,551,591	42,824,001	49,446,620	53,489,991	53,199,887
Combined Loan Int Pmt				(30,892,562)	(30,638,259)	(30,023,460)	(28,790,561)	(27,093,878)	(24,984,769)	(22,514,611)
Principal Payment			(5,000,000)	(5,000,000)	(12,000,000)	(24,000,000)	(33,000,000)	(41,000,000)	(48,000,000)	(50,000,000)
Estimated Mgt Fee		(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
Escrow/Legal/Audit Fee		(400,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
KWA Contribution				20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Cash Acct. Balance	**10,206,077**	**9,966,439**	**10,892,749**	**8,922,440**	**10,526,050**	**10,204,181**	**10,387,621**	**10,890,362**	**10,545,583**	**10,380,860**
Loan Balance	605,000,000	605,000,000	600,000,000	595,000,000	583,000,000	559,000,000	526,000,000	485,000,000	437,000,000	387,000,000

Year	11	12	13	14	15	16	17	18	19	20
Beg Pool (Units)	101.5	83 8	67 6	53 3	41.2	31.1	22 9	16 4	11.4	7.6
Beg Pool ($)	355,252,627	293,339,199	236,695,400	186,643,791	144,150,599	108,764,510	80,164,882	57,426,113	39,796,871	26,657,934
Maturities (Units)	17 69	16 18	14 30	12.14	10 11	8 17	6 50	5.04	3 75	2 68
Maturities ($)	61,913,428	56,643,799	50,051,609	42,493,192	35,386,089	28,599,628	22,738,769	17,629,242	13,138,937	9,386,792
Premium Payments	(10 657 579)	(8 800 176)	(7 100 862)	(5,599,314)	(4,324,518)	(3 262 935)	(2 404 946)	(1,722,783)	(1,193 906)	(799 738)
Cash Value Used	0	0	0	0	0	0	0	0	0	0
Service Costs	0	0	0	0	0	0	0	0	0	0
Basic Cash Flows	51,255,849	47,843,623	42,950,747	36,893,878	31,061,571	25,336,693	20,333,822	15,906,459	11,945,031	8,587,054
Cash Account										
Beginning Balance	10,380,860	10,845,829	10,472,860	10,781,871	10,454,823	10,562,190	10,005,712	10,562,190	10,005,712	10,353,203
Initial Investment										
Cash Flow (above)	51,255,849	47,843,623	42,950,747	36,893,878	31,061,571	25,336,693	20,333,822	15,906,459	11,945,031	8,587,054
Combined Loan Int Pmt	(19,940 881)	(17 366 592)	(14,791,737)	(12,370,926)	(10 104 204)	(8,043,170)	(6 136 332)	(4,435,300)	(2,836 993)	(1 393 003)
Principal Payment	(50,000,000)	(50,000,000)	(47,000,000)	(44,000,000)	(40,000,000)	(37,000,000)	(33,000,000)	(31,000,000)	(28,000,000)	(27,000,000)
Estimated Mgt Fee	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
Escrow/Legal/Audit Fee	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
KWA Contribution	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Cash Acct. Balance	**10,845,829**	**10,472,860**	**10,781,871**	**10,454,823**	**10,562,190**	**10,005,712**	**10,353,203**	**10,183,349**	**10,263,750**	**9,697,253**
Loan Balance	**337,000,000**	**287,000,000**	**240,000,000**	**196,000,000**	**156,000,000**	**119,000,000**	**86,000,000**	**55,000,000**	**27,000,000**	**0**

Exhibit B: 25 yr Amortization Schedule

Loan Amount	360,000,000
Interest Rate	5.00%
Annual Payment	**25,542,885**

Year	Beg. Balance	Interest	Principal	Total Paid	Ending Balance
1	360,000,000	(18,000,000)	0	0	360,000,000
2	360,000,000	(18,000,000)	0	0	360,000,000
3	360,000,000	(18,000,000)	0	0	360,000,000
4	360,000,000	(18,000,000)	(9,349,383)	(27,349,383)	350,650,617
5	350,650,617	(17,532,531)	(9,816,852)	(27,349,383)	340,833,765
6	340,833,765	(17,041,688)	(10,307,695)	(27,349,383)	330,526,070
7	330,526,070	(16,526,303)	(10,823,080)	(27,349,383)	319,702,990
8	319,702,990	(15,985,150)	(11,364,234)	(27,349,383)	308,338,757
9	308,338,757	(15,416,938)	(11,932,445)	(27,349,383)	296,406,311
10	296,406,311	(14,820,316)	(12,529,068)	(27,349,383)	283,877,244
11	283,877,244	(14,193,862)	(13,155,521)	(27,349,383)	270,721,723
12	270,721,723	(13,536,086)	(13,813,297)	(27,349,383)	256,908,426
13	256,908,426	(12,845,421)	(14,503,962)	(27,349,383)	242,404,464
14	242,404,464	(12,120,223)	(15,229,160)	(27,349,383)	227,175,304
15	227,175,304	(11,358,765)	(15,990,618)	(27,349,383)	211,184,687
16	211,184,687	(10,559,234)	(16,790,149)	(27,349,383)	194,394,538
17	194,394,538	(9,719,727)	(17,629,656)	(27,349,383)	176,764,882
18	176,764,882	(8,838,244)	(18,511,139)	(27,349,383)	158,253,743
19	158,253,743	(7,912,687)	(19,436,696)	(27,349,383)	138,817,047
20	138,817,047	(6,940,852)	(20,408,531)	(27,349,383)	118,408,516
21	118,408,516	(5,920,426)	(21,428,957)	(27,349,383)	96,979,559
22	96,979,559	(4,848,978)	(22,500,405)	(27,349,383)	74,479,154
23	74,479,154	(3,723,958)	(23,625,425)	(27,349,383)	50,853,728
24	50,853,728	(2,542,686)	(24,806,697)	(27,349,383)	26,047,032
25	26,047,032	(1,302,352)	(26,047,032)	(27,349,383)	0
Totals		(295,686,428)	(360,000,000)	(601,686,428)	

SUMMARY AND CONCLUSIONS

In the assumptions listed herein, the Blair proposal clearly provides KWA with substantial cost savings, less years of debt, and liquidity in the first three years. During the initial three years, KWA cannot pay P&I for conventional financing while continuing their annual payment obligation(25 million dollars plus) to the City of Detroit. Conventional bond sales cannot provide the same cash flow without dramatically raising the existing user fees charged by KWA.

Blair has proposed a multi-staged arrangement using BAN financing in conjunction with Life Settlements. The cost of BAN financing, over 26 months, is 8,667,000 dollars.

The chart below illustrates the difference and advantages to these financing options:

SUMMARY OF FINANCING COMPARISON TO KWA

CONVENTIONAL BOND SALES

1. Annual cost to KWA = $27,349,383 per year over 22 years
2. Total repayments by KWA = $601,686,428
3. Balance in account after loan repayment = $0

BLAIR PROPOSAL

1. Annual cost to KWA = $20,000,000 per year for 17 years
2. Total repayments by KWA = $321,698,272 (includes cash balance and remaining policies after loan is repaid)
3. Balance in account after loan repayment = $26,968,395
4. KWA out-of-pocket cash required = $8,667,000 (years 1-3)

COMPARISION OF CASH REQUIREMENTS FOR KWA CUSTOMERS

YEARS	DETROIT	BOND SALES	BLAIR	
1	$25,000,000	0	$2,166,667	BAN Financing Interest
2	$27,250,000	0	$6,500,000	BAN Financing Interest
3	$29,702,500	0	0	
4		$27,349,383	$20,000,000	
5		$27,349,383	$20,000,000	
6		$27,349,383	$20,000,000	
7		$27,349,383	$20,000,000	
8		$27,349,383	$20,000,000	
9		$27,349,383	$20,000,000	
10		$27,349,383	$20,000,000	
11		$27,349,383	$20,000,000	
12		$27,349,383	$20,000,000	
13		$27,349,383	$20,000,000	
14		$27,349,383	$20,000,000	
15		$27,349,383	$20,000,000	
16		$27,349,383	$20,000,000	
17		$27,349,383	$20,000,000	
18		$27,349,383	$20,000,000	
19		$27,349,383	$20,000,000	
20		$27,349,383	$20,000,000	
21		$27,349,383	0	
22		$27,349,383	0	
23		$27,349,383	0	
24		$27,349,383	0	
25		$27,349,383	0	
TOTAL	$81,952,500	$601,686,428	$348,666,667	

GENERAL ASSUMPTIONS:

5% interest rate for bond sales and Blair

25 year term for bond sale

20 year term for Blair

Years 1-3 Low payments for bond sales and Blair

Full assumptions (see attached to email)