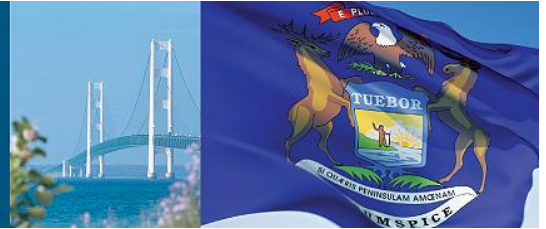


# PARTICIPATION AGREEMENT

Dated as of October 1, 1991  
by and among

The Michigan Public Agencies  
that have entered into this Agreement  
for the purpose of combining funds available  
for investment and appointing  
an Investment Advisor

Restated With Amendments Through December 31, 2011



This Participation Agreement dated as of October 1, 1991 (the "Participant Agreement") constitutes an interlocal agreement creating a legal entity pursuant to Section 5 of Act 7 of the Public Acts of the Extra Session of 1967, as amended (the Urban Cooperation Act of 1967), entered into by and among the Michigan Public Agencies that have adopted an Authorizing Resolution substantially in the form of this Participation Agreement for the purpose of exercising jointly each participating Public Agency's independent power to invest Surplus Funds.

WHEREAS, Section 28 of Article 7 of the Michigan Constitution of 1963 provides, among other things, that the Legislature of the State of Michigan shall "authorize two or more counties, townships, cities, villages or districts, or any combination thereof to enter into contractual undertakings or agreements with one another...for the joint administration of any of the functions or powers which each would have the power to perform separately", and "to share the costs and responsibilities of such functions and services with one another"; and

WHEREAS, pursuant to the Urban Cooperation Act of 1967 a Public Agency is authorized to exercise jointly with any other public agency of the State any power, privilege or authority which such agencies share in common and which each might exercise separately; and

WHEREAS, each Public Agency is permitted pursuant to the provisions of the Michigan Laws to invest certain of its Surplus Funds in statutory Permitted Investments; and

WHEREAS, each Public Agency will receive a substantial benefit by agreeing to invest such funds in concert with the other Participants because of economies of scale; and

WHEREAS, it will increase the efficiency of such investment if the Surplus Funds are invested through one entity, the Custodian; and

WHEREAS, it will increase the efficiency of the investment if the record keeping and other administrative functions are performed by one entity, the Investment Advisor, and if the investment instructions of the Participants are transmitted through one entity, the Investment Advisor, to the Custodian; and

WHEREAS, the governing body of each Public Agency desiring to become a Participant has adopted an Authorizing Resolution in the form attached hereto as Exhibit D, authorizing the responsible officer of the Public Agency to invest Surplus Funds of the Public Agency pursuant to this Participant Agreement; and

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, the Public Agency hereby adopts the following Participation Agreement and agrees to be bound by its terms:

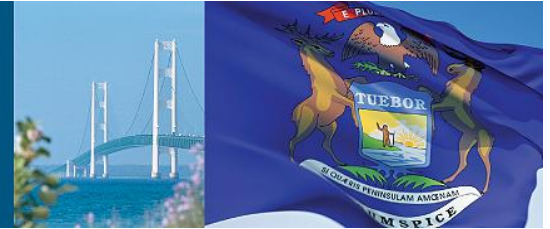


TABLE OF CONTENTS

ARTICLE I  
DEFINITIONS ..... 5

ARTICLE II  
ESTABLISHMENT ..... 8

    2.1 Establishment, Purpose ..... 8

    2.2 Name ..... 8

    2.3 Participation Requirements, Changes of Incumbency ..... 8

    2.4 Location ..... 8

ARTICLE III  
PARTICIPANTS ..... 9

    3.1. Method of Participation ..... 9

    3.2. Exercise of Participants' Rights ..... 9

    3.3. Election of the Board of Trustees ..... 9

    3.4. Voting ..... 9

    3.5. Proxies ..... 9

    3.6. Contributions ..... 9

    3.7. Withdrawals ..... 10

    3.8. Receipt of Statements and Reports; Requests ..... 11

    3.9. Termination of Participation ..... 11

ARTICLE IV  
BOARD OF TRUSTEES ..... 13

    4.1. Establishment of Board ..... 13

    4.2. General Powers ..... 13

    4.3. Investments and Management; The Investment Program ..... 13

    4.4. Title to Investments; Rights as Holders of Investment Property ..... 13

    4.5. Payment of Expenses ..... 13

    4.6. Power to Contract, Appoint, Retain and Employ ..... 14

    4.7. Insurance ..... 14

    4.8. Borrowing and Indebtedness ..... 14

    4.9. Remedies ..... 14

    4.10. Information Statement ..... 14

    4.11. Contracting with Affiliates ..... 15

    4.12. Further Powers ..... 15

ARTICLE V  
TRUSTEES ..... 16

    5.1 Number and Qualification ..... 16

    5.2 Term of Office ..... 16

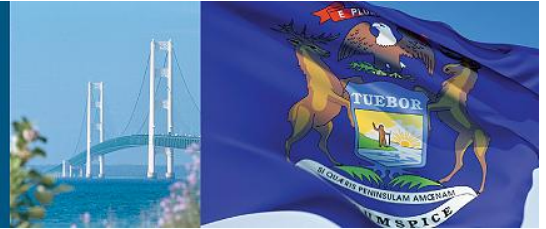
    5.3 Election of Trustees ..... 16

    5.4 Resignation of Trustees ..... 16

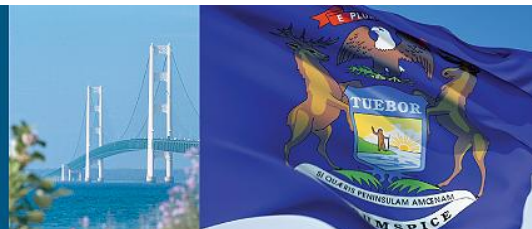
    5.5 Removal of Trustees ..... 17

    5.6 Vacancies ..... 17

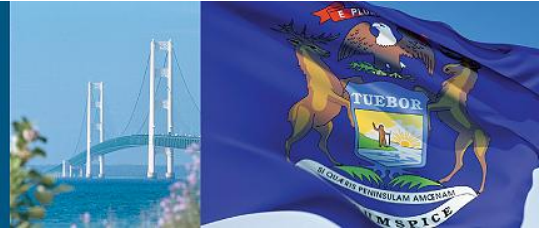
    5.7 Meetings ..... 17



5.8	<u>Bylaws</u> .....	17
5.9	<u>Officers</u> .....	18
ARTICLE VI		
INVESTMENT ADVISOR .....		19
6.1.	<u>Appointment</u> .....	19
6.2.	<u>Duties and Obligations of the Investment Advisor</u> .....	19
6.3.	<u>Designated Funds</u> .....	20
6.4	<u>Special Sub-Accounts</u> .....	20
6.5	<u>Successor</u> .....	20
6.6	<u>Third-Party Beneficiary</u> .....	20
ARTICLE VII		
THE CUSTODIAN.....		21
7.1.	<u>Appointment and Acceptance</u> .....	21
7.2.	<u>Resignation and Removal; Successors</u> .....	21
7.3.	<u>Powers</u> .....	22
7.4.	<u>Custodian Relationship; Records</u> .....	23
7.5.	<u>Reliance on Instructions</u> .....	24
7.6.	<u>Subrogation</u> .....	24
7.7.	<u>Insurance</u> .....	24
7.8.	<u>Setoff</u> .....	24
ARTICLE VIII		
REPRESENTATIONS AND WARRANTIES .....		25
8.1.	<u>Representations and Warranties of Each Participant</u> .....	25
8.2.	<u>Representations and Warranties of the Investment Advisor</u> .....	25
8.3.	<u>Representations and Warranties of the Custodian</u> .....	25
ARTICLE IX		
COVENANTS .....		27
9.1.	<u>Source of Contributions</u> .....	27
9.2.	<u>Truth of Representations and Warranties</u> .....	27
9.3.	<u>Compliance with Law</u> .....	27
ARTICLE X		
AMENDMENT AND TERMINATION.....		28
10.1.	<u>Amendment</u> .....	28
10.2.	<u>Termination</u> .....	28
10.3	<u>Power to Effect Reorganization</u> .....	30
ARTICLE XI		
LIMITATION OF LIABILITY .....		31
11.1.	<u>Liability to Third Persons</u> .....	31
11.2.	<u>Liability of Trustees to Others</u> .....	31
11.3.	<u>Indemnification</u> .....	31
11.4.	<u>Reliance on Experts</u> .....	32
11.5.	<u>Liability Insurance</u> .....	32
ARTICLE XII		



MISCELLANEOUS.....	33
12.1. <u>Governing Law</u> .....	33
12.2. <u>Counterparts</u> .....	33
12.3. <u>Severability</u> .....	33
12.4. <u>Gender; Section Headings and Table of Contents</u> .....	33
12.5. <u>No Assignment</u> .....	33
12.6. <u>No Partnership</u> .....	33
12.7. <u>Notice</u> .....	33
12.8. <u>Entire Agreement</u> .....	34
12.9. <u>Confidentiality</u> .....	34
12.10. <u>Disputes</u> .....	34
12.11. <u>Effective Date</u> .....	35
 EXHIBIT A	
<u>CONTRIBUTION PROCEDURES</u> .....	A-1
EXHIBIT B	
<u>WITHDRAWAL PROCEDURES</u> .....	B-1
EXHIBIT C	
<u>VALUATION PROCEDURES</u> .....	C-1
EXHIBIT D	
<u>AUTHORIZING RESOLUTION</u> .....	D-1
EXHIBIT E	
<u>INVESTMENT CRITERIA</u> .....	E-1
EXHIBIT F-1	
<u>INVESTMENT POLICY</u> .....	F-1-1



ARTICLE I  
DEFINITIONS

“Account” means any account opened and maintained pursuant to Section 7.3(a) by the Custodian for the benefit of the Participants and to which the Investment Property of the Participants is credited and opened.

“ACH” means the Automated Clearing House.

“Act” means the Urban Cooperation Act of 1967, Act No. 7 of the Public Acts of the Extra Session of 1967, as amended, being Sections 124.501 to 124.512 of the Michigan Compiled Laws, or any successor act.

“Affiliate” means, with respect to any Person, another Person directly or indirectly in control of, controlled by or under common control with such Person, or any officer, director, partner or employee of such Persons.

“Authorized Officer” means the person authorized by a Participant in an Authorizing Resolution authorized to act on behalf of the Participant.

“Authorizing Resolution” means a resolution of a Public Agency authorizing the Public Agency to become a Participant, a sample of which is attached hereto as Exhibit D (the “Sample Authorizing Resolution”).

“Balance” for each Participant means the Investment Property Value of a Participant’s account on any given day.

“Board” means the Board of Trustees created by Article IV.

“Business Day” means a day on which banks are not required or authorized by law to close in the State and on which the Investment Advisor or Custodian is not closed.

“Conflicting Provisions” shall have the meaning set forth in Section 12.3 hereof.

“Contribution Procedures” means the procedures for making contributions to the Investment Property set forth in Exhibit A.

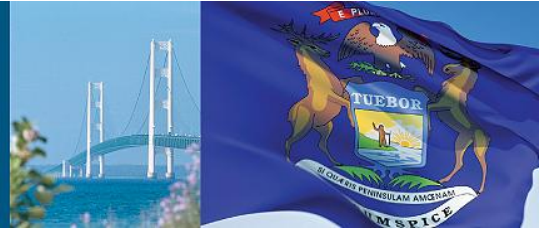
“Custodian” means the Person appointed and under the direction of the Investment Advisor pursuant to Article VII.

“Custodian Agreement” means the agreement entered into between the Investment Advisor and Custodian.

“Fund” means any of the funds established by the Investment Advisor pursuant to Section 6.3 hereof.

“Government Funds” shall have the meaning ascribed to it in Section 3 hereof.

“Investment Advisor” means any Person appointed, employed or contracted with by the Board to manage the Investment Property.



"Investment Advisor Agreement" means the agreement entered into between the Investment Advisor and the Board.

"Investment Advisor Liabilities" means any liabilities for the Investment Advisor under Section 11.1 for which indemnification is not provided by Section 11.3.

"Investment Authority Acts" means Act No. 20 of 1943, as amended, being Sections 129.91 to 129.97a of the Michigan Compiled Laws; Act No. 451 of 1976, as amended, being Sections 380.1 to 380.1853 of the Michigan Compiled Laws; Act No. 331 of 1966, as amended, being Section 389.1 to 389.195 of the Michigan Compiled Laws; Act No. 94 of the Public Acts of 1933, as amended, being Sections 141.101 to 141.140 of the Michigan Compiled Laws; and any successor act thereto and any other act which authorizes the investment of Surplus Funds.

"Investment Criteria" means the objectives and standards for Permitted Investments set forth in Exhibit E.

"Investment Funds" means immediately available Surplus Funds delivered by each Participant to the Custodian for investment pursuant to this Participation Agreement but only if (i) such Participant is authorized pursuant to the law of the State to invest such funds and (ii) the Participant has taken all actions necessary pursuant to the laws of the State to authorize the delivery and investment of such funds.

"Investment Property" means any and all property, real, personal or otherwise, tangible or intangible, which is transferred, conveyed or paid to an Account by any Participant pursuant to Section 3.6 hereof and all proceeds, income, profits and gains therefrom that have not been distributed to the Participant pursuant to Section 3.7 hereof, used to discharge an Investment Property Liability or offset by losses and expenses.

"Investment Property Liability" means any liability (whether known, unknown, actual, contingent or otherwise) incurred in connection with the Investment Property pursuant to this Participation Agreement.

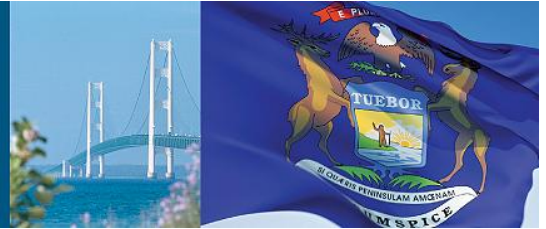
"Investment Property Value" means the value of the Investment Property net of the amount of the Investment Property Liabilities as determined pursuant to the Investment Advisor Agreement and the Valuation Procedures described in Exhibit C hereto.

"Michigan CLASS" means an investment program under the Act known as the Michigan Cooperative Liquid Assets Securities System, the separate legal and administrative entity created by this Participation Agreement.

"Participant" means a Public Agency which has entered into a Participation Agreement.

"Participation Agreement" means this Participation Agreement dated as of October 1, 1991 by and among the Participants, as amended from time to time.

"Permitted Investments" means bonds, securities, and other obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States; securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements which are secured by the transfer of title and custody of obligations to which the repurchase agreements relate, which maintain the market value of those obligations during the life of the repurchase agreement at levels equal to or



greater than the amounts advanced and for which an undivided interest in those obligations are pledged to the Participants or to the Custodian on behalf of the Participants; and any other investment permissible to all Participants individually under the Investment Authority Acts which the Board may authorize upon recommendation of the Investment Advisor.

“Person” means any municipal corporation, district, corporation, natural person, firm, joint venture, partnership, trust, unincorporated organization, group government, or any political subdivision, department or agency of the government.

“Person in Good Standing” means an Authorized Officer of a Participant with greater than a Zero-Balance who does not serve on the Board of any other investment program in the State substantially similar in form to Michigan CLASS.

“Prime Fund” shall have the meaning ascribed to it in Section 6.3 hereof.

“Public Agency” means a county, city, village, township, school district, authority, or any other political subdivision organized under the laws of the State and a public agency under the Act, which at all times is:

- (a) a political subdivision of the State of Michigan or a public instrumentality of the State of Michigan within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended; and
- (b) a political subdivision of the State of Michigan, or an agency, authority, or instrumentality of the State of Michigan, or any of its political subdivisions within the meaning of Section 2(b) of the Investment Company Act of 1940, as amended.

“Record Date” means the date no more than 30 days prior to the date of any vote of the Participants, as fixed by the Investment Advisor.

“State” means the State of Michigan.

“Surplus Funds” means money which belongs to or is under the control of the Public Agency and is available for investment in Permitted Investments, not being required by law or agreement with bondholders to be segregated and invested in a specific manner.

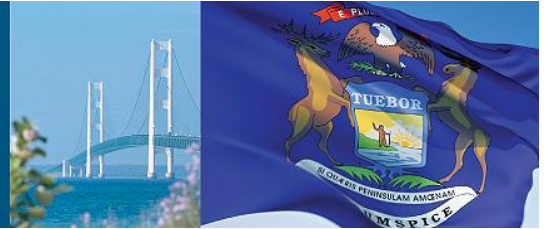
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“Trustee” means any member of the Board of Trustees created pursuant to Article IV.

“Valuation Procedures” means the procedures for determining the value of the Investment Property set forth in Exhibit C.

“Withdrawal Procedures” means the procedures for requesting payments out of the Investment Property set forth in Exhibit B.

“Zero Balance” means any Participant’s Balance that is less than or equal to \$0.00.



## ARTICLE II ESTABLISHMENT

2.1. Establishment, Purpose. Through the creation of the Board, the Participants hereby establish a separate legal and administrative entity organized and existing pursuant to the Act for the purpose of exercising jointly each participating Public Agency's independent power to invest Surplus Funds.

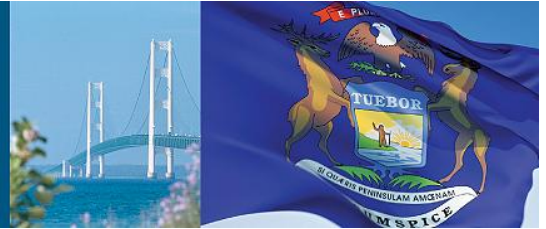
2.2. Name. The name of the entity created by this Participation Agreement shall be "Michigan Cooperative Liquid Asset Securities System" ("Michigan CLASS") and the Board shall conduct the entity's activities, execute all documents and sue and be sued under that name. The Board may use such other distinctions, including Michigan CLASS, and they may adopt such other name or names as they deem proper, and the entity may hold property and conduct its activities under such designations or names. The Board shall take such action as they, acting with the advice of counsel, shall deem necessary or appropriate to file or register such names in accordance with the laws of the State or the United States of America so as to protect and reserve the right of the entity in and to such names.

### 2.3 Participation Requirements, Changes of Incumbency.

(a) Only those Public Agencies that have adopted this Participation Agreement and have complied with its provisions may become Participants.

(b) Each Public Agency adopting and executing this Participation Agreement and otherwise complying with the provisions hereof shall become a Participant; however only those Participants carrying greater than a Zero Balance are entitled to voting rights, as described in Section 3.4.

2.4. Location. Michigan CLASS shall maintain an office of record in the State and may maintain such other offices or places of business as the Board may from time to time determine. The office of record may be changed from time to time by resolution of the Board, and notice of such change of the office of record shall be given to each Participant.



ARTICLE III  
PARTICIPANTS

3.1. Method of Participation. Any Public Agency that wishes to become a party to this Participation Agreement may do so by adopting an Authorizing Resolution, such as, for example, the Authorizing Resolution attached here to as Exhibit D and, upon adoption, delivering a certified copy of the Authorizing Resolution to the Investment Advisor. A copy of this Participation Agreement shall be adopted through incorporation by reference into the Authorizing Resolution of the Public Agency. The Investment Advisor shall provide written notification to the Custodian and other Participants of the admission of a new Participant. Any Public Agency that becomes a Participant shall have the same rights and obligations hereunder as any other Participant.

3.2. Exercise of Participants' Rights. All rights of the Participants as set forth in this Participation Agreement shall be exercised by their respective Authorized Officer. Wherever in this Participation Agreement action is required by or allowed to a Participant, such action shall be taken by the Authorized Officer on behalf of the Participant. All notices required to be sent to Participants shall be sent to the Authorized Officer.

3.3. Election of the Board of Trustees. The Participants shall elect the members of the Board.

3.4. Voting.

(a) Subject to subsection (b) below, each Participant through its Authorized Officer shall be entitled to one vote as a matter of right with respect to the following matters:

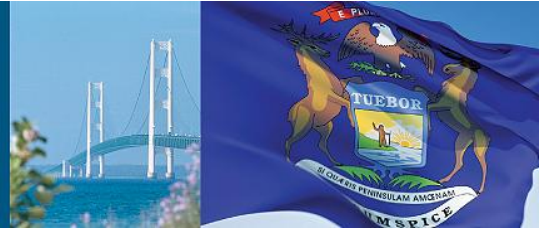
- (i) Election of the Board;
- (ii) Amendment of the Participation Agreement;
- (iii) Termination of the Participation Agreement; and
- (iv) Reorganization of the Participation Agreement.

(b) Any Participant whose has a Zero Balance as of any Record Date remains a Participant but has no voting rights as of such Record Date. A Participant shall regain voting rights upon a subsequent Record Date if on such subsequent Record Date, the Participant carries greater than a Zero Balance.

3.5. Proxies. An Authorized Officer may vote by proxy, provided that no proxy shall be voted unless it shall have been placed on file with the Secretary of Michigan CLASS or with such other Officer of Michigan CLASS as the Secretary may direct. All proxies shall be revocable at the option of the Authorized Officer at any time prior to the vote.

3.6. Contributions.

(a) After the Participation Agreement is effective and the Investment Advisor Agreement is entered into with the Investment Advisor, each Participant shall have the right from time to time to deliver Investment Funds to the Custodian



for credit to such Participant's Balance. A Participant that wishes to make such a delivery shall notify the Investment Advisor and follow the Contribution Procedures set forth in Exhibit A. Upon the receipt of a notice from a Participant, the Investment Advisor shall notify the Custodian, by written or electronic notification, of the notice and the amount to be invested by the Participant.

(b) The Balance of a Participant shall be increased upon the delivery of Investment Funds by an amount equal to the amount of such Investment Funds.

(c) Upon receipt of a Participant's Investment Funds, the Custodian shall deliver a confirmation to the Investment Advisor. The Investment Advisor shall note the increase in such Participant's Balance, shall retain a copy of the confirmation in its records, and shall deliver the written confirmation of the delivery to the Participant.

(d) If the Investment Advisor has received notice that a Public Agency no longer qualifies as a Participant or that any funds delivered pursuant to Section 3.6 are not Investment Funds, the Investment Advisor shall request the Custodian to return to such Participant such funds, and such Participant shall bear all of the costs and liabilities associated with the delivery of such funds.

### 3.7. Withdrawals.

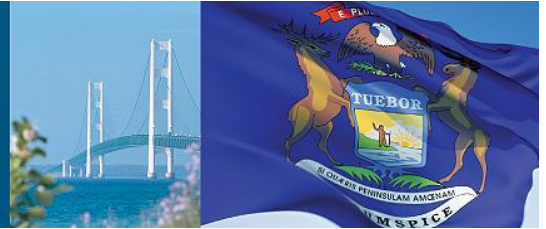
(a) Each Participant shall have the right from time to time to request, in accordance with the Withdrawal Procedures set forth in Exhibit B hereto, that the Investment Advisor notify the Custodian to pay to the Participant, or to its order, any amount (rounded to the nearest whole cent) that is less than or equal to its Balance at the time that payment is made pursuant to such request.

(b) Upon the receipt of any withdrawal request, the Investment Advisor shall notify the Custodian, by written or electronic notification, of the withdrawal request from the Participant, and the requested amount (rounded to the nearest whole cent) shall be paid by the Custodian to, or on behalf of, such Participant.

(c) Whenever any payment is made to, or to the order of, any Participant pursuant to Section 3.7(b) hereof, such Participant's Balance shall be reduced by the Investment Advisor by the amount of such payment.

(d) Subject to the terms and conditions of this Participation Agreement, the Custodian shall honor a Participant's request, upon notice from the Investment Advisor, to pay to a Participant, any amount (rounded to the nearest whole cent) that is less than or equal to such Participant's Balance at the time payment is made.

(e) Each Participant agrees that, without prior notice, the right to withdrawals may be temporarily suspended or postponed for the whole or any part of any period (i) during which trading in securities generally on the New York Stock Exchange or the American Stock Exchange or over-the-counter market shall have been suspended or minimum prices or maximum daily charges shall have been established on such exchange or market, (ii) a general banking moratorium shall have been declared by federal or State authorities or (iii) there shall have occurred any outbreak, or material escalation, of hostilities, or other calamity or crisis, the effect of which on the financial markets of the United States is such as to make it impracticable (a) to dispose of the Investment Property because of the substantial losses which might be incurred or (b) to determine the Investment Property Value in accordance with the Valuation Procedures set forth in Exhibit C. The Investment Advisor shall determine on behalf of the board, when an event occurs which, under this Section entitles the Custodian to temporarily suspend



or postpone a Participant's right to withdrawals, and shall immediately notify the Custodian and each Participant by telephone or electronic medium of such determination. Such a suspension or postponement shall not itself directly alter or affect a Participant's Balance. Such a suspension or postponement shall take effect at such time as is determined by the Investment Advisor, and thereafter there shall be no right to request or receive payment until the first to occur of: (a) in the case of (i) or (ii) above, the time at which the Investment Advisor declares the suspension or postponement at an end, which declaration shall occur on the first day on which the period specified in the clause (i) or (ii) above shall have expired; and (b) in the case of (iii) above, the end of the first day on which the period specified in clause (iii) above is no longer continuing. Any Participant that requested a payment prior to any suspension or postponement of payment may withdraw its request at any time prior to the termination of the suspension or postponement.

3.8. Receipt of Statements and Reports; Requests.

(a) The Investment Advisor on behalf of the Board shall provide to each Participant a copy of any statements or reports prepared pursuant to the Investment Advisor Agreement and applicable to such Participant.

(b) In addition, each Participant may direct the Investment Advisor to provide a statement of the value of the Participant's Balance as of the date of the request. The Investment Advisor shall provide such statement.

(c) Each Participant may direct the Investment Advisor to maintain the records relating to such Participant in a manner that subdivides the Participant's Balance into subaccounts or other special accounts to accommodate the desire of such Participant to segregate a portion of its Investment Funds and Investment Property related to the Participant's Balance.

(d) No Participant shall be entitled to any reports or statements applicable solely to another Participant.

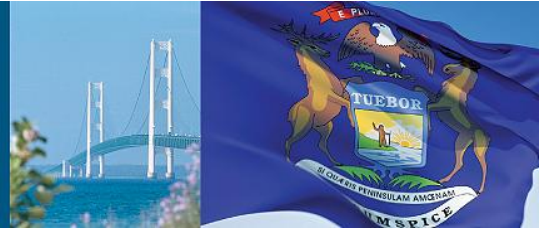
(e) The Board is entitled to any reports or statements applicable to any or all Participants as it shall request of the Investment Advisor and prepared pursuant to the Investment Advisor Agreement.

3.9. Termination of Participation.

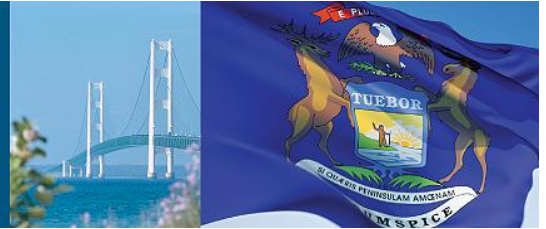
(a) Any Participant may withdraw from this Participation Agreement at any time upon written notice to the Investment Advisor, who shall promptly notify the Custodian and the other Participants upon receipt of such notice of withdrawal. Upon its withdrawal from this Participation Agreement, a Participant shall cease to have any rights or obligations under this Participation Agreement except for any indemnification obligations set forth in Article XI arising on or before the date of withdrawal. A notice of withdrawal shall be deemed to constitute a request under the Payment Procedures that an amount equal to the requesting Participant's Balance as of the date of such notice be paid to such Participant. No withdrawal shall become effective until such Participant has a Zero Balance, and until such time, such Participant shall continue to possess all the rights, and to be subject to all the obligations, arising from this Participation Agreement.

(b) Any Participant that no longer qualifies as a Public Agency, that breaches any material covenant contained in Article IX hereof or for which any of the representations contained in Article VIII hereof ceases to be true shall be deemed to have given a notice of withdrawal pursuant to Section 3.9(a) hereof immediately upon such disqualification, breach or

Michigan  
CLASS<sup>®</sup>



cessation, but shall not be deemed to have requested the payment of its Balance unless and until it either makes an actual payment request or the Investment Advisor determines that such a disqualification, breach or cessation has occurred.



#### ARTICLE IV BOARD OF TRUSTEES

4.1. Establishment of Board. The management of Investment Property shall be under the direction of the Board of Trustees, which is hereby created by this Participation Agreement as a separate entity.

4.2. General Powers. The Board shall serve as the fiduciary for the Participants and shall have exclusive and absolute control over the Investment Property to the same extent as if the Board were the sole owner of the Investment Property in its own right. All powers granted by this Participation Agreement to the Investment Advisor or Custodian shall also be considered powers of the Board which have been delegated for the term of the agreement with the Investment Advisor. The Board may perform such acts as they determine in their sole discretion as proper for conducting the business of the Board. The enumeration of any specific powers shall not be construed as limiting the powers of the Board. Such powers may be exercised with or without an order or other action by any court. In construing the provisions of this Participation Agreement, the presumption shall be in favor of a grant of power to the Board.

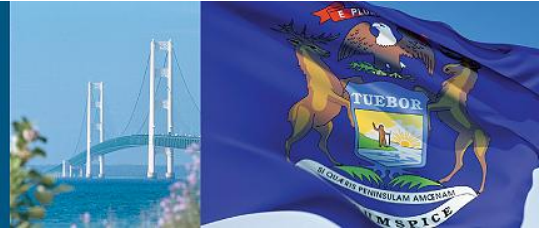
4.3. Investment and Management; The Investment Program. The Board shall have the power to subscribe for, invest in, reinvest in, purchase or otherwise acquire, hold, pledge, sell assign, transfer, exchange, distribute or otherwise deal in or dispose of Permitted Investments pursuant to the Michigan CLASS Investment Policy, attached hereto as Exhibit F-1. In accordance with Section 10.1(d) hereof, the Michigan CLASS Investment Policy may be amended upon providing Participants 30 days' notice of such amendment. In the exercise of its powers, the Board shall not be limited to Permitted Investments maturing before the possible termination of this Participation Agreement.

The general investment policy and objective of the Board shall be to provide to the Participants the preservation of capital and liquidity, while providing a competitive investment yield by investing in Permitted Investments. The Board shall appoint an Investment Advisor and the Board is directed to enter into the Investment Advisor Agreement with the Investment Advisor consistent with the terms of this Participation Agreement. The Investment Advisor Agreement shall not be for a term greater than 10 years, but may be subject to renewal for successive terms. The Investment Advisor shall have the power to manage the Investment Property, including the authority to exercise all powers vested by this Section with the Board other than the designation of additional investments as Permitted Investments.

4.4. Title to Investments; Rights as Holders of Investment Property. Legal title to all Investment Property shall be vested in the Board on behalf of the Participants and shall be held by and transferred to the Board, except that the Board shall have full and complete power to cause legal title to any Investment Property to be held, if permitted by law, in the name of any other Person as nominee, on such term, in such manner and with such powers as the Board may determine, so long as in the judgment of the Board the interests of the Board and the Participants are adequately protected.

The Board shall have full and complete power to exercise all of the rights, powers and privileges appertaining to the ownership of the Investment Property to the same extent that any individual might, and, without limiting the generality of the foregoing, to vote or give any consent, request or notice, or waive any notice either in person or by proxy or power of attorney, with or without the power of substitution, to one or more persons, which proxies and powers of attorney may be for meeting or actions generally, or for any particular meeting or action, and may include the exercise of discretionary powers.

4.5. Payment of Expenses. The Board shall have full and complete power:



(a) to incur and pay any charges or expenses which in the opinion of the Board are necessary or incidental to or proper for carrying out any of the purposes of this Participation Agreement;

(b) to pay any taxes or assessments validly and lawfully imposed upon or against the Investment Property or the Board in connection with the Investment Property or upon or against the Investment Property or income or any part thereof;

(c) to reimburse others for payment of such expenses and taxes; and

(d) to pay appropriate compensation or fees from the Investment Property to a person with whom the Board has contracted or transacted business.

All payments or expenses incurred pursuant to this Section will be a liability payable solely from the Investment Property. The Trustees shall not be paid compensation for their services as Trustees hereunder.

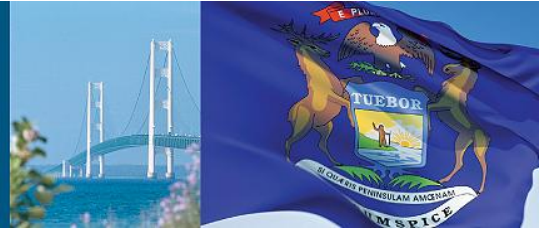
4.6. Power to Contract, Appoint, Retain and Employ. The Board is responsible for the investments of Michigan CLASS consistent with the investment policy established in this Participation Agreement and for the general administration of the business and affairs of Michigan CLASS. Subject to the limitations expressed in Section 4.11 of this Participation Agreement, the Board shall have full and complete power to, and shall at all times, appoint, employ, retain, or contract with any person of suitable qualifications (including any corporation, partnership, trust or other entity of which one or more of them may be an Affiliate) for the transaction of the affairs of the Board.

4.7. Insurance. The Board shall have full and complete power to purchase or to cause to be purchased and pay for, entirely out of Investment Property, insurance policies ensuring Michigan CLASS, officers, employees and agents of Michigan CLASS individually against all claims and liabilities of every nature arising by reason of holding of having held any such office or position, or by reason of any action alleged to have been taken or omitted by Michigan CLASS or any such person, officer, employee and agent, including any action taken or omitted that may be determined to constitute negligence, whether or not Michigan CLASS would have the power to indemnify such person against such liability.

4.8. Borrowing and Indebtedness. The Board shall not borrow money or incur indebtedness, whether or not the proceeds thereof are intended to be used to purchase Permitted Investments, except as a temporary measure to facilitate the transfer of funds to the Participant which might otherwise require unscheduled dispositions of portfolio investments, but only to the extent permitted by law.

4.9. Remedies. Notwithstanding any provision in this Participation Agreement, when the Board deems that there is a significant risk that an obligor to Michigan CLASS may default or is in default under the terms of any obligation of Michigan CLASS, the Board shall have full and complete power to pursue any remedies permitted by law which, in their sole judgment, are in the interests of Michigan CLASS, and the Board shall have full and complete power to enter into any investment, commitment or obligation of Michigan CLASS resulting from the pursuit of such remedies as are necessary or desirable to dispose of property acquired in the pursuit of such remedies.

4.10 Information Statement. The Board shall have full and complete power to prepare, publish and distribute an Information Statement regarding Michigan CLASS and to amend or supplement the same from time to time.

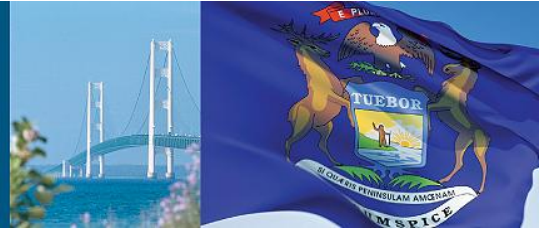


4.11. Contracting with Affiliates. To the extent permitted by law, the Board may enter into transactions with any Affiliate of any of the Trustees or any Affiliate of the Investment Advisor if:

(a) each such transaction (or type of transaction) has, after disclosure of such affiliation, been approved or ratified by the affirmative vote of a majority of the Board, including a majority of the Trustees who are not Affiliates of any person who is a party to the transaction with the Board, and

(b) such transaction (or type of transactions) is, in the opinion of the Board, on terms fair and reasonable to the Board and the Participants and at least as favorable to them as similar arrangements for comparable transactions with organizations unaffiliated with the Board or with the person who is a party to the transaction with the Board.

4.12. Further Powers. The Board shall have full and complete power to take all such actions, do all such matters and things, and execute all such instruments as they deem necessary, proper or desirable in order to carry out, promote or advance the interests and purposes of Michigan CLASS although such actions, matters or things are not herein specifically mentioned. Any determination as to what is in the best interest of Michigan CLASS made by the Board in good faith shall be conclusive. In construing the provisions of this Participation Agreement, the presumption shall be in favor of a grant of power to the Board.



ARTICLE V  
TRUSTEES

5.1. Number and Qualification.

(a) The Board shall have at least nine (9) but no more than thirteen (13) members.

(b) The members of the Board shall be comprised of at least one (1) but not more than four (4) members from each of the following Participant categories:

- (i) Counties;
- (ii) Cities/Villages;
- (iii) Townships;
- (iv) School Districts (including intermediate school districts); and
- (v) Other Public Agencies not listed above (including community colleges).

The Board shall be the sole judge of the election and qualification of its members.

(c) Only a Person in Good Standing is eligible for election to the Board.

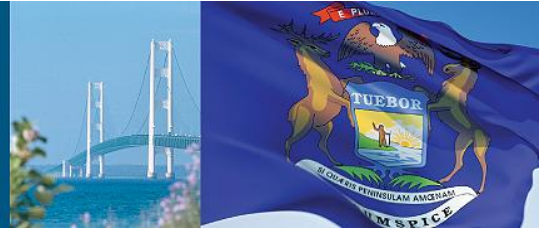
5.2. Term of Office. The term of office for a Trustee shall be three years or until a successor has been appointed and qualified, and such term shall begin at the meeting of the Board following the election. Trustees may serve any number of successive terms. The term of Trustees shall be staggered such that the term of at least one-third of all Trustees shall expire in any year.

5.3. Election of Trustees.

(a) Participants shall elect Trustees by a majority vote of those voting Participants in accordance with Section 3.4. Prior to each vote, the Board shall prepare a ballot containing sufficient candidates to assure that at least one but no more than four Trustees from each Participant category listed in Section 5.1(b) above may be elected.

(b) After each election, each Participant shall by this Participation Agreement be considered to have appointed each person elected by such vote as their Trustee unless and until removed pursuant to Resignation according to Section 5.4 or Removal according to Section 5.5.

5.4. Resignation of Trustees. Any Trustee may resign without need for prior or subsequent accounting by notice in writing signed by the Trustees and delivered to the Board, and such resignation shall be effective upon such delivery, or at a later date specified in the written notice.



5.5. Removal of Trustees. As provided in Section 7 of the Act, the governing body of each Participant may vote, at will, to remove one or more of the Trustees it appointed. A Trustee removed by a Participant will not be considered the appointee of that Participant, but shall remain a member of the Board unless removed by a majority of the Participants. If a Participant elects to remove all of the Trustees it appointed, the Participant will be considered to have terminated its participation and withdrawn from this Participation Agreement. Any Trustee can be removed from the Board for all Participants for good cause by the action of at least two-thirds (2/3) of the remaining Trustees.

5.6. Vacancies. The term of office of a Trustee shall terminate and a vacancy shall occur in the event of the death, resignation, adjudicated incompetence or other incapacity to perform the duties of the office, or removal by all Participants, of a Trustee. In the case of a vacancy, the Board continuing in office shall, by majority vote, appoint another person as a replacement Trustee to serve until the expiration of the term for the office to which the replacement Trustee is appointed. The replacement Trustee shall be considered, unless removed pursuant to Section 5.5, the appointee of each Participant.

5.7. Meetings.

(a) The Annual meeting of the Board shall be the last meeting of the calendar year and shall be for the purpose of the election of officers, setting the calendar for regular meetings and other organizational matters, as provided in the Bylaws.

(b) Regular meetings of the Board shall be established annually in the method described in the Bylaws of the Board and may be held without call or notice at the time and place so established.

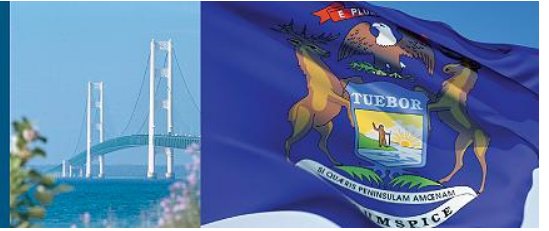
(c) Special meetings of the Board may be held from time to time upon the call of the Chairperson or any two Trustees in the manner described in the Bylaws of the Board.

(d) A quorum of the Board shall be a majority of all Trustees appointed and serving. Any action of the Board may be taken at a meeting by a simple majority vote of those Trustees present and voting, provided a quorum is present, unless a supermajority is required by another Section of this Participation Agreement or by law of the State.

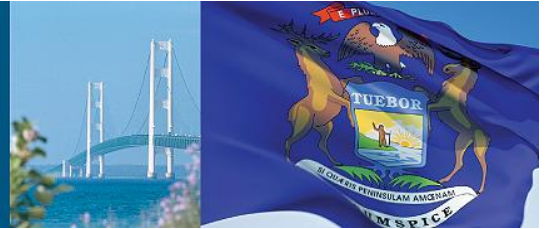
(e) Meetings of the Board shall be subject to the Open Meetings Act (Act No. 267 of 1976, being Sections 15.261-15.275).

(f) With respect to any Affiliate of any Trustee, Trustees who are so affiliated within the meaning of Section 4.11 of this Participation Agreement or otherwise interested in any action to be taken must disclose such affiliation or interest. Such Trustees may be counted for quorum purposes, but such Trustees shall not be entitled to vote upon any matter related to the Affiliate or interest.

5.8. Bylaws. The Board shall adopt, and may, from time to time, amend or repeal Bylaws for the conduct of the business of the Board, and in such Bylaws, may among other things, define the duties of the respective officers, agents, employees, and representatives of the Board, and shall establish the rules of calling of meetings and determination of regular and special meetings.



5.9. Officers. The Board shall annually elect a Chairperson and other officers having the responsibilities and powers described in the Bylaws.



ARTICLE VI  
INVESTMENT ADVISOR

6.1. Appointment.

(a) The Board shall appoint an Investment Advisor for the purpose of fulfilling the responsibilities provided the Investment Advisor under this Participation Agreement, and each Participant hereby delegates to the Board the authority to enter into an agreement with the Investment Advisor for a period not to exceed 10 years and on the terms set forth in this Participation Agreement. Such Investment Advisor Agreement may be renewed for successive terms.

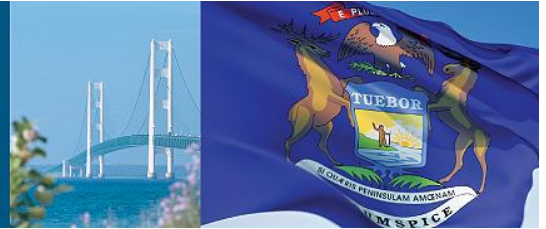
(b) The Investment Advisor shall be required pursuant to the Investment Advisor Agreement to accept such appointment and to agree to render the services and to assume the obligations set forth therein and in this Participation Agreement, for the compensation provided in the Investment Advisor Agreement

6.2. Duties and Obligations of the Investment Advisor.

(a) The duties of the Investment Advisor shall be those set forth in the Investment Advisor Agreement. Such duties may be modified by the Board from time to time. The Board may authorize the Investment Advisor to effect purchases, sales or exchanges of Investment Property on behalf of the Board or may authorize any officer, employee, agent or member of the Board to affect such purchases, sales or exchanges pursuant to recommendations of the Investment Advisor, all without further action by the Board. Any and all of such purchases, sales and exchanges shall be deemed to be authorized by the Board. The Board has authorized the establishment of a primary fund for the investment of Surplus Funds of the Participants in Section 6.3 hereof, and may direct the Investment Advisor to establish specially designated Funds with specific investment characteristics pursuant to Section 6.3 of this Participation Agreement; the establishment thereof shall not require any further action of the Board. After such direction, any such establishment of specially designated Funds shall be deemed authorized by the Board.

(b) The Participants and the Board delegate no discretion to the Investment Advisor hereunder to invest Investment Property in any but Permitted Investments and the Investment Advisor shall expressly refuse to accept any delegation of such discretion. Except as set forth herein and subject to law, the decision of how to invest or not to invest shall remain at all times under the control of the Board. The Investment Advisor is directed to cause Investment Property of each Participant to be invested in concert in Permitted Investments and consistent with the investment criteria set forth in Exhibit E, Exhibit F-1 or such other exhibits created pursuant to Section 6.3 hereof. The Investment Advisor shall have no additional discretion than that stated in this Participation Agreement in carrying out the directions set forth in this Section 6.2 or Section 6.3.

(c) The Investment Advisor shall at no time have custody of, or physical control over, any of the Investment Property. The Investment Advisor shall, upon approval of the Board, appoint a Custodian, as defined in the Participation Agreement, to receive, hold for reinvestment, and clear all Investment Property. The Investment Advisor shall not be liable for any act or omission of the Custodian, but shall be liable for the Investment Advisor's acts and omissions as provided herein. Each Participant and the Board direct the Custodian to act, and the Custodian shall agree to act, in accordance with the instructions of the Investment Advisor.



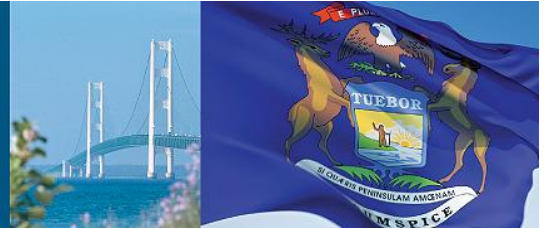
(d) The types of Permitted Investments into which Investment Property shall be invested is determined by the Board pursuant to the Participation Agreement and, subject to Section 6.3 hereof, the Board delegates the selection of investments within those Permitted Investments to the Investment Advisor. All actions of the Investment Advisor in selecting investments which meet the investment parameters contained herein and in implementing the sale or purchase of securities are taken behalf of the Board.

6.3. Funds. The Investment Advisor shall cause the Custodian to establish a primary fund (the "Prime Fund") for the investment of Surplus Funds of the Participants. The Prime Fund shall be invested in Permitted Investments pursuant to the criteria and policies contained in Exhibit E and Exhibit F-1 hereto. Notwithstanding anything in this Participation Agreement to the contrary, the Investment Advisor may, upon the direction of the Board, cause the Custodian to establish specially designated Funds, in addition to the Prime Fund, with specified investment characteristics that may be more limited than the Permitted Investments, but may not be broader (the "Government Funds" and, together with the Prime Fund, the "Funds"). The Investment Advisor may cause the Custodian to establish such Government Funds once the Board or its designee has approved in writing the investment characteristics of such Government Funds. If established, any such Government Fund shall consist only of Permitted Investments, and the investment characteristics of each such Government Fund shall be set forth in a separate investment policy made an exhibit to this Participation Agreement, which exhibit shall be titled "Exhibit F-\_\_" with the applicable number being inserted in the blank. The establishment of such Government Funds shall not be deemed an amendment of this Participation Agreement. According to the contribution procedures set forth in Section 3.6 hereof, a Participant may direct the Investment Advisor to invest its Surplus Funds in any of the established Funds. The Investment Advisor shall cause each such Fund to maintain accounts and reports separate from any other Fund. The Investment Advisor shall cause to be maintained a separate rating on each such Fund. All provisions of this Participation Agreement and the Investment Advisor Agreement shall apply to any such Funds.

6.4 Special Sub-Accounts. Notwithstanding anything in this Participation Agreement to the contrary, the Investment Advisor from time to time may propose to the Participants that the Participants establish specially designated, individualized sub-accounts within any Fund with investment, withdrawal, contribution or other characteristics different, but no broader, than those set forth in this Participation Agreement. Such characteristics may include, without limitation, certain restrictions on amounts to be deposited, the types of Permitted Investments to be made, and additional administration fees. A Participant in its sole discretion may create such proposed special, individualized sub-accounts within any Fund. Any special sub-account that is created pursuant to this Section 6.4 shall be subject to the terms and investment policies set forth in the proposal of the Investment Advisor until the terms governing such special sub-account are amended by the specific Participant having such sub-account. In order to amend such terms, the Participant must provide to the Investment Advisor a special investment policy governing such special sub-account. Such investment policy may not be broader than the Investment Policy of Prime Fund attached to this Participation Agreement as Exhibit F-1, or if a sub-account is created for a Government Fund, such investment policy may not be broader than the investment policy outlined in the exhibit corresponding to such Government Fund and in no case shall it be broader than the investment policy contained in Exhibit F-1 hereto. The establishment of such special sub-accounts and the amendment of the investment policy for such sub-account shall not be deemed an amendment of the Participation Agreement. The Investment Advisor shall calculate the return realized by such special sub-accounts separate and apart from the returns realized by other sub-accounts maintained for other Participants.

6.5 Successor. In the event that, at any time, the position of Investment Advisor shall become vacant for any reason, the Board may appoint, employ or contract with a successor.

6.6 Third-Party Beneficiary. The Participants expressly agree that the Investment Advisor is a third-party beneficiary of this Participation Agreement.



ARTICLE VII  
THE CUSTODIAN

7.1. Appointment and Acceptance.

(a) Subject to the approval of the Board, the Investment Advisor is directed to appoint and provide direction to the Custodian. The Custodian shall be required to accept the duties and obligations of the Custodian described in this Participation Agreement.

(b) The Investment Advisor may appoint, with the consent of the Custodian, or authorize the Custodian to utilize sub-custodians to serve as a Custodian in the performance of the obligations of the Custodian hereunder provided that (a) the use of such sub-custodians is permitted under the law of the State, (b) the use of such sub-custodians will not render the performance of any provision of this Participation Agreement by any of the parties hereto invalid, illegal or not permitted under the laws of the State, (c) the Investment Advisor shall use its best efforts to ensure that the collective interests of the Participants in the Investment Property is clearly indicated on the records of any sub-custodian, (d) the Investment Advisor shall use its best efforts to ensure that the collective interests of the Participants in the Investment Property is not diminished or adversely affected because of the Custodian's use of a sub-custodian and (e) the sub-custodian is a bank or trust company, savings and loan association or credit union eligible to be a depository of surplus funds of the state under Sections 3 and 6 of Act No. 105 of the Public Acts of 1855, as amended, being Sections 21.145 to 21.146 of the Michigan Compiled Laws. A sub-custodian does not include, and a Custodian may utilize, any Affiliate of the Custodian as a depository to hold or clear Investment Property or instruments evidencing Permitted Investments made with Investment Property in the name of any nominee name of the Custodian on behalf of the Participants.

(c) The Custodian shall receive, hold for reinvestment, and clear all Investment Funds and Investment Property. The Custodian shall perform those functions with respect to Investment Funds and Investment Property as provided by this Participation Agreement and the Custodian Agreement.

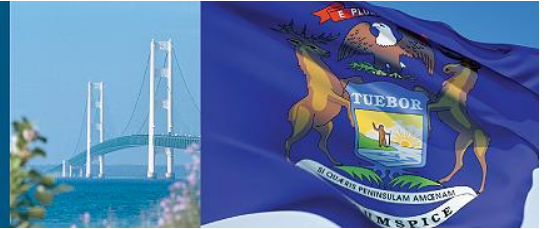
(d) No Investment Funds or Investment Property received by the Custodian pursuant to this Participation Agreement shall be accounted for in any manner which might cause such Investment Funds or Investment Property to become assets or liabilities of the Custodian.

(e) With respect to school districts which are Participants, the Custodian and any sub-custodian utilized by the Custodian shall be considered, for purposes of Section 1223(2) of Act No. 451 of the Public Acts of 1976, as amended, being Section 380.1223 of the Michigan Compiled Laws, to be the depository of the funds of a school district from which a contribution under Section 3.6 was made and into which the instrument representing that contribution shall be deposited.

(f) The Custodian shall, within thirty (30) days of issuance, deliver a copy of its annual report to the Investment Advisor and the Board.

7.2. Resignation and Removal; Successors.

(a) The Custodian may resign upon the giving of at least ninety (90) days' prior written notice to the Investment Advisor.



(b) Subject to the approval of the Board, the Investment Advisor may remove the Custodian upon not more than sixty (60) days' prior written notice to the Custodian. Notwithstanding the foregoing, the removal of the Custodian shall not be deemed effective unless a successor shall have been chosen and accepted the position.

7.3. Powers.

(a) (i) The Custodian is authorized and directed to open and maintain, and the Custodian shall open and maintain, one Account for each Fund established by the Investment Advisor in the name of "(Name of Custodian) as Custodian for (Name of Fund) for the Benefit of the Participants who are parties to a Participation Agreement dated as of October 1, 1991" and will accept for safekeeping and for credit to the Account, in accordance with the terms hereof, all Investment Funds delivered pursuant to Section 3.6 and Section 6.3 hereof, and the income or earnings derived therefrom, delivered to or collected by it for deposit in or otherwise held in the Account. The Custodian may accept funds hereunder and shall not be required to make an independent determination whether such funds are Investment Funds.

(ii) All securities and other non-cash Investment Property held in the Account shall be physically segregated from other securities and non-cash property in the possession of the Custodian and shall be identified as subject to this Participation Agreement.

(b) Only upon and in accordance with instructions of the Investment Advisor as provided herein shall the Custodian, for the account and risk of the Participants:

(i) receive and deliver Investment Funds and all other Investment Property;

(ii) exchange securities in temporary or bearer form for securities in definitive or registered form and surrender securities at maturity or earlier when advised for a call for redemption;

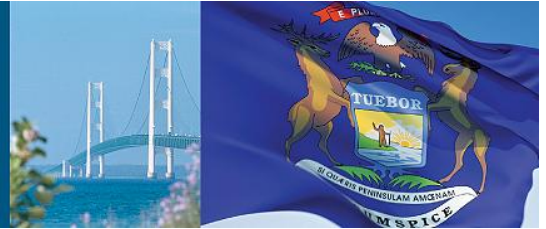
(iii) make, execute, acknowledge and deliver as Custodian, any and all documents or instruments (including but not limited to all declarations, affidavits and certificates of ownership) that may be necessary or appropriate to carry out the powers granted herein;

(iv) make any payments incidental to or in connection with this Section 7.3(b);

(v) sell, exchange or otherwise dispose of any and all Investment Property free and clear of any and all interests of any and all Participants, at public or private sale, with or without advertisement and execute and deliver any deed, power, assignment, bill of sale, or other instrument in connection therewith; and

(vi) exercise all other rights and powers and to take any action in carrying out the purposes of this Participation Agreement.

(c) (i) The Custodian shall collect the income on the Investment Property and distribute it in accordance with instructions of the Investment Advisor in accordance with Article III hereof;



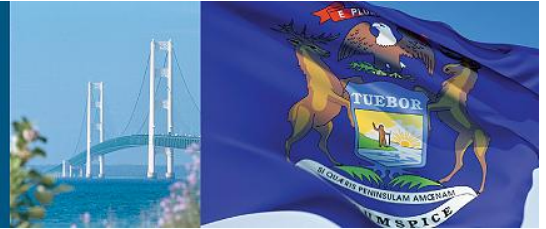
(ii) the Custodian shall hold the Investment Property and all instruments evidencing Permitted Investments made with Investment Property (a) in its vaults physically segregated and held separate and apart from other property of the Custodian; (b) in its account at Depository Trust Company or other depository or clearing corporation in the name of the Custodian on behalf and for the benefit of the Participants; or (c) in a book entry account in the name of the Custodian on behalf and for the benefit of the Participants with the Federal Reserve Bank, in which case a separate accounting of the Investment Property shall be maintained by the Custodian at all times. The Investment Property and all instruments evidencing Permitted Investments made with Investment Property held by any such depository or clearing corporation or Federal Reserve Bank may be held in the name of their respective nominees, provide, however, that the custodial relationship and the interests of the Participants regarding such Investment Property and instruments shall be noted on the records of the Investment Advisor and the custodial relationship on behalf of the Participants shall be noted on the records of the Custodian;

(iii) with respect to enforcing rights in connection with the Investment Property, the Custodian shall have the power to act upon instruction of the Investment Advisor in order to prevent the loss or default upon Investment Property, including, without limitation, the power to: (a) collect, sue for, receive and receipt for all sums of money or other property due; (b) consent to extensions of the time for payment, or to the renewal of any securities, investments or obligations; (c) engage or intervene in, prosecute, defend, compromise, abandon or adjust by arbitration or otherwise any actions, suits, proceedings, disputes, claims, demands or things relating to the Investment Property; (d) foreclose any collateral, security or instrument securing any investments, notes, bills, bonds, obligations or contracts that are part of or relate to the Investment Property; (e) exercise any power of sale, and convey good title thereunder free of any and all interests of any and all Participants, and in connection with any such foreclosure or sale, purchase or otherwise acquire title to any property; (f) be a party to the reorganization of any Person and transfer to the deposit with any corporation, committee, voting trustee or other Person any securities, investments or obligations of any Person which form a part of the Investment Property, for the purpose of such reorganization or otherwise; (g) participate in any arrangement for enforcing or protecting the interests of the holders of such securities, investments or obligations and to pay any assessment levied in connection with such reorganization or arrangement; (h) extend the time (with or without security) for the payment or delivery of any debts or property and to execute and enter into releases, agreements and other instruments; (i) pay or satisfy any debt or claims; and (j) file any financing statements concerning the Investment Property with the appropriate authorities to protect the Investment Property from any potential claim of any creditors of any of the Participants.

7.4. Custodian Relationship; Records.

(a) The Custodian shall hold the Investment Property for the collective benefit of each of the Participants. The Investment Property shall be the property of the Participants and shall not be, or be deemed to be, an asset or a liability of the Custodian.

(b) The Custodian acknowledges that the records concerning the Investment Property shall be maintained by the Investment Advisor and that such records shall conclusively determine the interests of each Participant in the Investment Property; the Custodian hereby agrees that such records are conclusively determinative of the interests of the Participants. The Investment Advisor shall cause such records to separately account for each Participant, and to show any deposits, earnings, withdrawals or fees associated with the Participant. Notwithstanding the foregoing, the Custodian shall maintain its own internal records concerning the Account and the transactions contemplated by this Participation Agreement.



7.5. Reliance on Instructions.

(a) The Custodian shall accept and shall be fully protected if it relies upon the instructions actually received and given in writing or as otherwise provided by this Section by any authorized officer, employee or agent of the Investment Advisor, and all authorizations shall remain in full force and effect until cancelled or superseded by subsequent instructions received by the appropriate account officer of the Custodian. The authorized officers, employees or agents of the Investment Advisor shall be only such persons as are authorized by corporate resolution of the Investment Advisor duly certified in writing to the Custodian by the Investment Advisor's Secretary. The Custodian may rely on instructions received by generally accepted methods of transmission acceptable to the Custodian which the Custodian believes in good faith to have been given by an authorized person. The Custodian may also rely on instructions transmitted electronically through the Asset Management System ("AMS") or a customer data entry system or any similar electronic instruction system acceptable to the Custodian. The Custodian shall have no responsibility to assure that the instructions of the Investment Advisor either conform to the Participation Agreement or require actions to be taken which are authorized by law. The Custodian shall incur no liability as a result of any act or omission by the Custodian in accordance with instructions on which the Custodian is authorized to rely pursuant to the provisions of this Section 7.5.

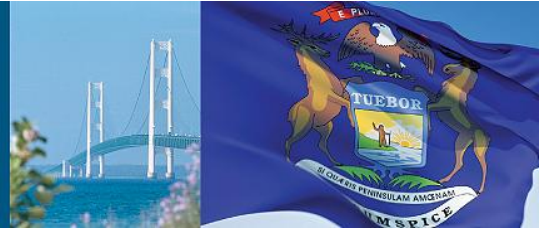
(b) In the absence of bad faith or gross negligence on its part, the Custodian may conclusively rely, as to the truth and correctness of the statements expressed in notices, certificates or documents submitted to it, and the Custodian need not investigate any fact or matter stated in any such notice, certificate or document submitted to it or verify the accuracy of the contents thereof.

7.6. Subrogation. The Investment Advisor on behalf of the Board shall be entitled to be subrogated to the rights of the Custodian, with respect to any claim against any other person or institution which the Custodian may have, as a consequence of any loss or damage to the Investment Property. In such event, the Investment Advisor shall consult with the Custodian concerning selection of counsel and management of any litigation to recover for loss.

7.7. Insurance. The Custodian will maintain insurance coverage of the following types and amounts with limits agreed to by the Board:

Financial Institutions Bond: \$100,000,000 per occurrence and in the aggregate  
Professional Liability: \$100,000,000 per occurrence and in the aggregate.

7.8. Setoff. The Custodian shall not have, and shall not seek to enforce, any right of setoff, recoupment or similar rights against the Investment Property for any amounts owed to the Custodian pursuant to this Participation Agreement.



ARTICLE VIII  
REPRESENTATIONS AND WARRANTIES

8.1. Representations and Warranties of Each Participant. Each Participant hereby represents and warrants that:

(a) the Participant has taken all necessary actions and has received all necessary approvals and consents in order to execute and deliver this Participation Agreement and to perform its obligations hereunder, including, without limitation, the appointment of the Investment Advisor; and

(b) the adoption and performance of the Participation Agreement does not violate the Participant's charter or organizational documents or any applicable general law or other local ordinance, rule or regulation; and

(c) the performance of this Participation Agreement has been duly authorized and this Participation Agreement is the legal, valid and binding obligation of the Participant, as of the date specified therein, are true and complete and contain no material misstatements of fact or omissions that render them misleading; and

(d) the certificates delivered hereafter by the Participant pursuant to this Participation Agreement, as of the date specified therein, are true and complete and contain no material misstatements of fact or omissions that render them misleading; and

(e) the adoption and performance of the Participation Agreement does not conflict with or result in the breach or termination of, or otherwise give any other person the right to terminate, or constitute a default, event of default or an event with notice or lapse of time, or both would constitute a default or an event of default under the terms of any contract or permit to which the Participant is a party or by which the Participant or its properties are bound.

8.2. Representations and Warranties of the Investment Advisor. The Investment Advisor represents and warrants in the Investment Advisor Agreement that:

(a) the Investment Advisor is a duly organized and validly existing corporation, duly qualified to conduct business in the State; and

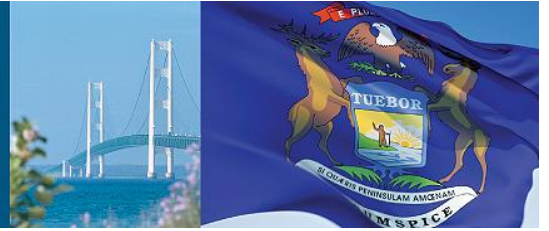
(b) the performance of its duties described under this Participation Agreement and the execution, performance and delivery of the Investment Advisor Agreement have been duly authorized and are the legal, valid and binding obligations of the Investment Advisor, enforceable against the Investment Advisor in accordance with their terms.

(c) it is a United States Securities and Exchange Commission registered investment advisor.

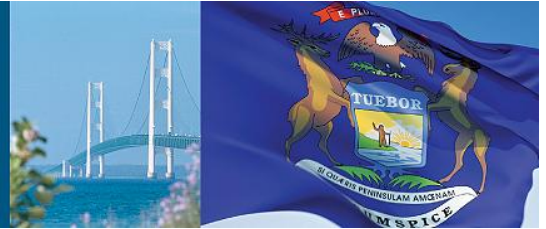
8.3. Representations and Warranties of the Custodian. The Custodian appointed by the Investment Advisor shall represent and warrant that:

(a) it is a duly organized and validly existing banking corporation, organized under the laws of the State and duly qualified to conduct business in the State; and

Michigan  
CLASS<sup>®</sup>



(b) the performance of this Participation Agreement has been duly authorized and is the legal, valid and binding obligation of the Custodian, enforceable against it in accordance with its terms.



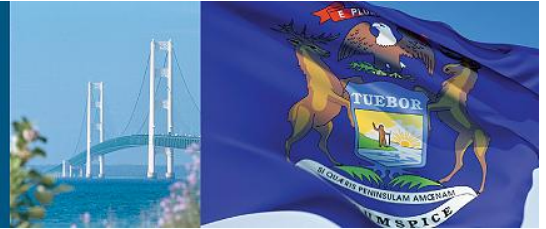
ARTICLE IX

COVENANTS

9.1. Source of Contributions. Each Participant hereby covenants that it will deliver pursuant to Section 3.6 only Investment Funds that constitute Surplus Funds and are permitted to be invested pursuant to the laws of the State and any ordinance or local regulation applicable to such Participant, and that it will perform all actions required by the laws of the State and any ordinance or local regulation application to such Participation to be done prior to such investment.

9.2. Truth of Representations and Warranties. Each party to this Participation Agreement hereby covenants that it shall withdraw from this Participation Agreement prior to the time any of the representations and warranties made by it in Article VIII hereof ceases to be true.

9.3. Compliance With Law. The parties agree that this Participation Agreement is intended to comply fully with all provisions of the Act.



ARTICLE X  
AMENDMENT AND TERMINATION

10.1. Amendment.

(a) This Participation Agreement may be amended from time to time. The Participation Agreement may be amended upon:

- (i) a two-thirds (2/3) majority approving vote of the Trustees appointed and present at a meeting of the Board;
- (ii) following the approval of the Board, the simple majority approving vote of the Participants; and
- (iii) following the approval of the Participants, the two-thirds (2/3) majority vote of the Trustees present at a meeting of the Board, reapproving the amendment.

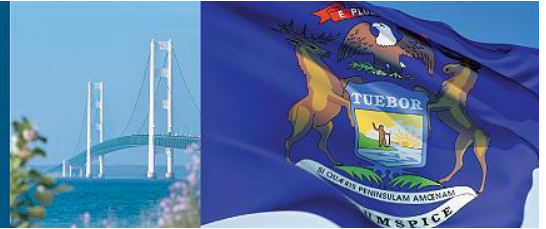
(b) Notwithstanding the foregoing, the Board may, from time to time, upon a two-thirds (2/3) vote of the Board and after 45 days prior written notice to the Participants, amend or alter the provisions of this Participation Agreement without the vote of the Participants which it deems in good faith to be necessary to conform this Participation Agreement to the requirements of applicable laws or regulations or any interpretation thereof by a court or other governmental agency of competent jurisdiction, but the Board shall not be liable for failing to do so. Notwithstanding the foregoing, no amendment may be made pursuant to this Section 10.1(b) which would substantively alter the rights of the Participants or liability of the Participants or Trustees.

(c) Any amendment executed pursuant to Section 10.1(a) or (b) hereof will be effective thirty (30) days after the last affirmative vote is obtained as required by Section 10.1(a) or (b) hereof. A certification signed by a two-thirds (2/3) majority of the Board setting forth an amendment and reciting that it was duly adopted or a copy of the Participation Agreement, as amended and executed by a two-thirds (2/3) majority of the Board, shall be conclusive evidence of such amendment.

(d) The amendment of any Exhibit to this Participation Agreement shall not be considered an amendment to the Participation Agreement and may be made by the Board to the extent consistent with the terms of the Participation Agreement. An amendment to an Exhibit pursuant to this Section 10.1(c) shall not be made effective until 30 days after each Participant has received notice of the amendment.

10.2. Termination.

- (a) This Participation Agreement may be terminated at any time pursuant to the following procedures:
- (i) a three-quarters (3/4) majority approving vote of the Trustees appointed and serving;



(ii) following the approval of the Board, the simple majority approving vote of the Participants; and

(iii) following the approval of the Participants, the three-quarters (3/4) majority vote of the Trustees appointed and serving, reapproving the termination.

(b) This Participation Agreement shall terminate automatically if:

(i) at any time after one year after the date of this Participation Agreement there are fewer than two Participants; or

(ii) the Board did not act to name a new Investment Advisor on or before the day that is immediately prior to the date on which the term of the Investment Advisor expires or the resignation or withdrawal of the Investment Advisor would otherwise become effective.

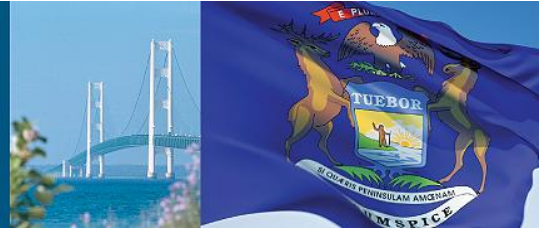
(c) Upon the termination of this Participation Agreement pursuant to this Section 10.2:

(i) The Custodian and the Investment Advisor shall carry on no business in connection with the Investment Property except for the purpose of the protecting the value of the Investment Property, satisfying the Investment Property Liabilities and winding up its affairs in connection with the Investment Property;

(ii) The Custodian and the Investment Advisor shall proceed to wind up their affairs in connection with the Investment Property, and all of the powers and responsibilities of the Custodian and the Investment Advisor under this Participation Agreement shall continue until the affairs of the Custodian and the Investment Advisor in connection with the Investment Property shall have been wound up, including, but not limited to, the power to collect amounts owed, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining Investment Property to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay Investment Property Liabilities, and do all other acts appropriate to liquidate its affairs in connection with the Investment Property; provided, however, that any sale, conveyance, assignment, exchange, transfer, or other disposition of all or substantially all of the Investment Property shall require approval of the principal terms of the transaction and the nature and amount of the consideration by not less than the affirmative two-thirds (2/3) vote of the Board appointed and serving, and;

(iii) After paying or adequately providing for the payment of all Investment Property Liabilities, and upon receipt of such releases, indemnities and refunding agreements as each of the Custodian and the Investment Advisor deem necessary for their protection, the Investment Advisor shall direct the Custodian to distribute the remaining Investment Property, in cash or in kind or partly in each, among the Participants according to their respective proportionate Balances.

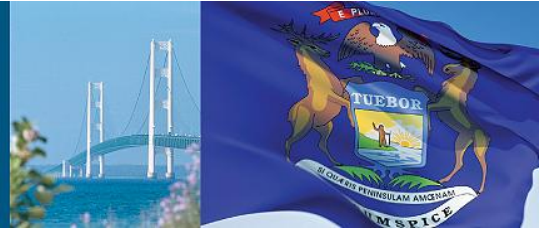
(d) Upon termination of this Participation Agreement and distribution to the Participants as herein provided, the Investment Advisor shall execute and lodge among the records maintained in connection with this Participation Agreement an instrument in writing setting forth the fact of such termination, and the Investment Advisor, the Custodian and the Participants shall thereupon be discharged from all further liabilities and duties hereunder, and the rights and benefits of all



Participants hereunder shall cease and be canceled and discharged; provided that Sections 4.3(a) of the Investment Advisor Agreement and Article XI hereof shall survive any termination of this Participation Agreement.

(e) If this Agreement is terminated pursuant to Section 10.2(b) (ii) hereof because of the expiration of the term of the Investment Advisor or resignation and/or withdrawal of the Investment Advisor, such expiration, resignation and/or withdrawal shall be postponed until the instrument contemplated by Section 10.2(d) hereof has been executed and lodged among the records maintained in connection with this Participation Agreement.

10.3. Power to Effect Reorganization. If permitted by applicable law, including without limitation, the Act and the Investment Authority Acts, the Board, by vote or written approval of two-thirds (2/3) of the Board appointed and serving, may select, or direct the organization of a corporation, association, trust, or other person with which Michigan CLASS may merge, or which shall take over the Investment Property and carry on the affairs of Michigan CLASS, and after receiving the affirmative vote of not less than a majority of all of the Participants, and a second affirmative vote of not less than two-thirds (2/3) of the Board appointed and serving, the Board may effect such merger or may sell, convey, and transfer the Investment Property to any such corporation, association, trust, or other person in exchange for cash or shares or securities thereof, or beneficial interests therein with the assumption by such transferee of the liabilities of Michigan CLASS; and thereupon the Board shall terminate Michigan CLASS and deliver such cash, shares, securities or beneficial interests ratably among the Participants of Michigan CLASS in redemption of their investments.



ARTICLE XI  
LIMITATION OF LIABILITY

11.1. Liability to Third Persons.

(a) No member or representative of a Participant shall be subject to any personal liability whatsoever to any person in connection with the Investment Property or the acts, obligations or affairs of the Board. No Trustee, officer, employee or agent, including the Investment Advisor and Custodian, of the Board shall be subject to any personal liability whatsoever to any person, in connection with the Investment Property or affairs of the Board, other than liability arising from the bad faith, willful misfeasance, gross negligence or reckless disregard of duty by such Trustee, officer, employee or agent; and all persons shall look solely to the Investment Property for satisfaction of claims of any nature arising in connection with the affairs of the Board. No member or officer of a Participant, Trustee, officer, employee or agent of the Board who is made a party to any suit or proceeding to enforce any such liability shall on account thereof be held to any personal liability.

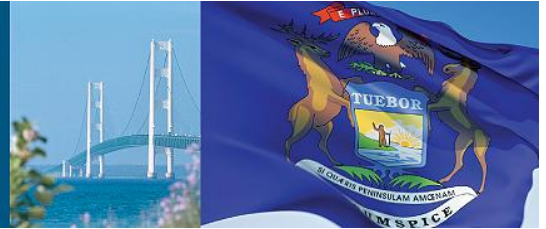
(b) Claims of any nature arising in connection with the affairs of the Board from which a Trustee, officer, employee or agent of the Board are protected by this Section shall include any claims sustained by reason of any act or omission (including, but not limited to, investment advice or the failure to give investment advice at any time).

(c) The Board shall indemnify and hold harmless each member or officer of a Participant from and against all claims and liabilities to which such member or officer of such Participant may become subject on behalf of the Participant by reason of being or having been a Participant, and shall reimburse such Participant or its officer or member for all legal and other expenses of such Participant reasonably incurred in connection with any such claim or liability. The rights accruing to a Participant or its members or officers under this Section shall not exclude any other right to which such Participant or member or officer may be lawfully entitled, nor shall anything herein restrict the right of the Board to indemnify or reimburse in any appropriate situation even though not specifically provided herein.

11.2. Liability of Trustees and Others. No Trustee, officer, employee or agent of the Board shall be liable to the Board or to any Participant, Trustee, officer, employee or agent thereof for any damages caused by action or failure to act except for damages caused by bad faith, willful misfeasance, gross negligence or reckless disregard of duties. Any agreements with the Investment Advisor or the Custodian shall provide for the personal liability of the Investment Advisor or the Custodian, as the case may be, for a willful or negligent failure to take reasonable measures to restrict investments of Investment Property to those permitted by law and this Participation Agreement. The provisions of this Section shall not limit the liability of any agent of the Board (including without limitation, the Investment Advisor or the Custodian) with respect to breaches by it of a contract between the agent and the Board.

11.3. Indemnification.

(a) The Board shall indemnify to the extent permitted by law each of the Trustees, officers, employees and agents, including the Investment Advisor and Custodian, against all liabilities and expenses (including without limitation amounts paid in satisfaction of judgments, in compromise, as fines and penalties, and as counsel fees) reasonably incurred in connection with the defense or disposition of any actual or threatened action, suit or other proceeding, whether civil or criminal, while in office or thereafter, by reason of being or having been such a Trustee, officer, employee or agent, except with respect to any matter as to which the Trustee, officer, employee or agent shall have adjudicated to have acted in bad faith, willful



misfeasance, gross negligence or reckless disregard of their respective duties, or in the case of the Investment Advisor, in willful or negligent violation of the restrictions on investments of the Investment Property; provided, however, that so to any matter disposed of by a compromise payment by such person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless the counsel approved by the Board agrees to the effect that if either the matter of willful misfeasance, gross negligence or reckless disregard of duty, or the matter of good faith and reasonable belief as to the best interests of the Board had been adjudicated, it would have adjudicated in favor of such person.

(b) The provisions of this Section shall not be construed to permit the indemnification of any agent Board with respect to any breach of a contract between the agent and the Board.

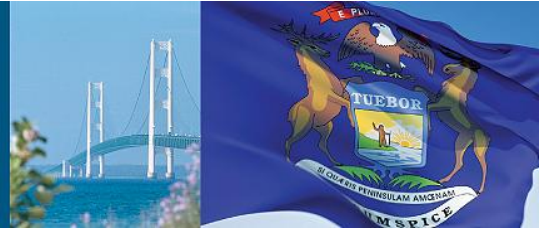
(c) The rights accruing to any person under these provisions shall not exclude any other right to which the person may be lawfully entitled; provided, however, that no person may satisfy any right of indemnity or reimbursement granted in this Article or to which the person may be otherwise entitled except out of the Investment Property, and no Participant shall be liable to any person with respect to any claim for indemnity or reimbursement of otherwise.

#### 11.4. Reliance on Experts.

(a) Each Trustee and each officer of the Board shall, in the performance of his or her duties, be fully and completely justified and protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Board, upon an opinion of counsel or upon reports made to the Board by any of its officers or employees or by the Investment Advisor, the Custodian, accountants, appraisers or other experts selected with reasonable care by the Board or officers of the Board.

(b) Each Participant and the Board understands that in performing its services hereunder the Investment Advisor will rely on information provided by others and agree that the Investment Advisor is not responsible for the accuracy of such information.

11.5. Liability Insurance. The Board shall, at all times, payable from the Investment Property, maintain insurance or cause insurance to be purchased, for the protection of the Trustees, the Officers, employees and agents thereof, if any, in such amounts as the Board in its discretion shall deem adequate to cover foreseeable tort and contract liability to the extent available at reasonable rates.



ARTICLE XII  
MISCELLANEOUS

12.1. Governing Law. This Participation Agreement is executed by the Participants and delivered in the State and with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State.

12.2. Counterparts. This Participation Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such counterparts, together, shall constitute but one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

12.3. Severability. The provisions of this Participation Agreement are severable, and if any one or more of such provisions (the "Conflicting Provisions") are in conflict with any applicable laws, the Conflicting Provisions shall be deemed never to have constituted a part of this Participation Agreement and this Participation Agreement may be amended pursuant to Section 9.1 hereof to remove the Conflicting Provisions; provided, however, that such conflict or amendment shall not affect or impair any of the remaining provisions of this Participation Agreement or render invalid or improper any action taken or omitted prior to the discovery or removal of the Conflicting Provisions.

12.4. Gender; Section Headings and Table of Contents.

(a) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

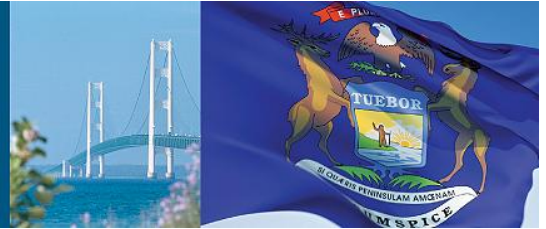
(b) Any headings preceding the texts of the several Articles and Sections of the Participation Agreement and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall neither constitute a part of this Participation Agreement nor affect its meaning, construction or effect.

12.5. No Assignment. No party hereto may sell, assign, pledge or otherwise transfer any of its rights, benefits or interests under this Participation Agreement to any other Person, and any purported sale, assignment, pledge or other transfer shall be null and void.

12.6. No Partnership. Notwithstanding any provision hereof to the contrary, this Participation Agreement does not constitute an association of two or more Persons to carry on as co-owners a business for profit, and none of the parties intends this Participation Agreement to constitute a partnership or any other joint venture or association. Furthermore, none of the parties has any authority hereunder to personally bind or act as agent for another party in any manner whatsoever, except to the extent, if any, expressly provided elsewhere herein.

12.7. Notice. Unless otherwise specified in this Participation Agreement, all notices required to be sent under this Participation Agreement:

(a) shall be in writing addressed to the Authorized Officer if notice is to be given to a Participant; to the address identified in the Investment Advisor Agreement if to the Investment Advisor; and to the address identified in the Custodian Agreement if to the Custodian.



(b) shall be deemed to be sufficient if given by depositing the same in the United States mail, postage prepaid, addressed to the person entitled thereto at his address as it appears on the records maintained by the Investment Advisor; and

(c) shall be deemed to have been given on the day of such mailing.

12.8. Entire Agreement. This Participation Agreement shall constitute the entire agreement of the parties with respect to the subject matter and shall supersede all prior oral or written agreements in regard thereto.

12.9. Confidentiality.

(a) All information and recommendations furnished by the Investment Advisor to the Participants that is marked confidential or is a trade secret and all information and directions furnished by the Investment Advisor to the Custodian shall be regarded as confidential by each such Person to the extent permitted by law. The Investment Advisor and the Custodian shall regard as confidential all information concerning the Investment Property and the affairs of the Participants or the Board. Nothing in this paragraph shall prevent any party from divulging information to civil, criminal, bank or securities regulatory authorities where such party may be exposed to civil or criminal proceedings or penalties for failure to comply.

(b) In the event that on-line terminals and similar electronic devices are used for communication from the Investment Advisor to the Custodian, the Investment Advisor agrees to safeguard and maintain the confidentiality of all passwords or numbers and to disclose them only to such of its employees and agents as reasonably require access to the information concerning the Investment Property. The Custodian agrees to safeguard and maintain the confidentiality of all passwords or numbers and to limit access to this information for the purpose of acting pursuant to this Participation Agreement. The Custodian may electronically record any instructions given by telephone, and any other telephone discussions with respect to the Account or transactions pursuant to this Participation Agreement.

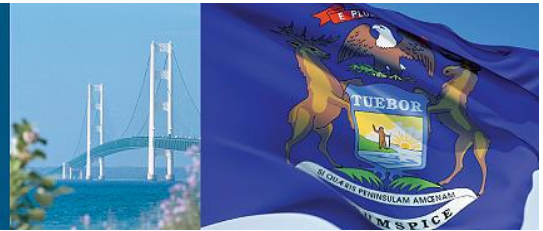
(c) The Custodian may rely on the accuracy of all data received by it through electronic means and initiated by any person authorized by the investment advisor. Every person who uses the correct passwords to obtain information by electronic means or to make permissible transactions shall be presumed to have the Investment Advisor's authority unless the Investment Advisor can prove all of the following:

(i) a person using a correct password was not authorized to have access to this information if the Custodian has knowledge of such unauthorized use;

(ii) the person using the password obtained it through or as a result of the Custodian's gross negligent disclosure; and

(iii) the disclosure by the Custodian was not authorized by the Investment Advisor prior to its unauthorized use.

12.10. Disputes. In the event of any dispute between the parties, the parties agree to attempt to resolve the dispute through negotiation or a method of alternative dispute resolution. No litigation shall be commenced without a certification by an



authorized officer, employee, or agent of any party that the dispute cannot be resolved by negotiation or alternative dispute resolution provided in writing at least 10 days before commencing legal action.

12.11. Effective Date. This Participation Agreement shall be effective on the date two or more Public Agencies have executed this Participation Agreement, adopted an Authorizing Resolution and delivered such documents pursuant to Section 3.1.

EXHIBIT A  
CONTRIBUTION PROCEDURES

- 1) A Participant shall provide notification to the Investment Advisor via methods acceptable to the Investment Advisor indicating the amount to be invested, and if more than one Fund has been established by the Investment Advisor, into which Fund such amount shall be invested (there is no minimum investment). The Participant shall instruct its bank depository to wire Investment Funds to the corresponding Account at the Custodian.
- 2) Receipt of the Investment Advisor prior to the cut-off time established pursuant to the Michigan CLASS website, accessible at <http://www.michiganclass.org>, of notification of Investment Funds being deposited will cause the value of the Investment Funds to be credited and earn interest on the same Business Day.
- 3) Receipt by the Investment Advisor after the cut-off time established pursuant to the Michigan CLASS website, accessible at <http://www.michiganclass.org>, of notification of Investment Funds being deposited will cause the value of the Investment Funds to be credited and earn Interest on the next Business Day.
- 4) If Investment Funds for which notification of deposit has been given, are not received (except if the Participant can show the contribution procedures have been followed) by the end of the Business Day on which such notification is given, the Investment Advisor shall deduct the value of such Investment Funds from the Participant's Balance if previously credited.

If the Participant fails to instruct its bank depository to wire Investment Funds before the cut-off time established pursuant to the Michigan CLASS website, accessible at <http://www.michiganclass.org>, on the day notice of the deposit is provided the Investment Advisor, the Participant's Balance shall be charged interest equal to any interest earned on such failed deposit for each day the Participant's Balance was credited with the deposit before the date the deposit was received. If the Participant can show the contribution procedures have been followed, and, notwithstanding, the Investment Funds are not received, then the Investment Advisor shall seek to obtain such Investment Funds from the party responsible for failure of delivery.

- 5) Participants are prohibited from withdrawing Investment Funds credited to their Balance pursuant to (2) or (3) above, until such Investment Funds are received by the Custodian.

EXHIBIT B  
WITHDRAWAL PROCEDURES

- 1) The Participant shall provide notification to the Investment Advisor via methods acceptable to the Investment Advisor indicating the amount to be withdrawn, and if more than one Fund has been established, from which Fund such amount shall be withdrawn.
- 2) The Participant shall indicate the payee and include wire or ACH instructions.
- 3) Requests for withdrawals received by the Investment Advisor by the cut-off time established pursuant to the Michigan CLASS website, accessible at <http://www.michiganclass.org> will be processed to permit payment on the Business Day.
- 4) Requests for withdrawals received by the Investment Advisor after the cut-off time established pursuant to the Michigan CLASS website, accessible at <http://www.michiganclass.org>, will be processed the following Business Day.
- 5) Participants may only request withdrawals of an amount not to exceed their Balance at the time payment is made pursuant to such request.
- 6) Requests for withdrawals received in accordance with (3) above by the Investment Advisor shall be wired or processed through ACH in accordance with the Participant's instructions after noon on such Business Day and the funds so wired or processed through ACH shall be immediately available funds.

EXHIBIT C  
VALUATION PROCEDURES

Valuation of Investments.

Michigan CLASS adopted Statement of Financial Accounting Standards No. 157- Fair Value Measurements ("SFAS 157") as of July 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 requires disclosure surrounding the various inputs that are used in determining the fair value of Michigan CLASS's investments. These inputs are summarized into the three broad levels listed below. There was no impact to Michigan CLASS upon adoption of this standard.

The securities of each Fund are valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter accreting any discount or amortizing any premium to maturity. The amortized cost method is consistent with the provisions of a 2a-7 like pool as defined by Statement No. 31 of the Governmental Accounting Standards Board. Investments in money market funds are valued at the current day's closing net asset value per share.

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including Michigan CLASS's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. All investments at value are either in Level 1 or Level 2 as of the most recent audited period.

Accounting for Investments.

Security transactions are accounted for on the trade date. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of discount or premium, is recorded on an accrual basis.

EXHIBIT D  
SAMPLE AUTHORIZING RESOLUTION

WHEREAS, certain governmental units described in Schedule 1 attached to this Resolution (the "Public Agencies") desire to enter into or have entered into an interlocal agreement substantially in the form attached hereto as Exhibit B (the "Participation Agreement") for the purpose of exercising jointly the power each Public Agency has to invest its surplus funds; and

WHEREAS, the Public Agency is a Public Agency under the Participation Agreement and is authorized by Michigan law to invest its funds in certain investments (the "Permitted Investments"); and

WHEREAS, Act 7 of the Public Acts of the Extra Session of 1967, as amended, (the Urban Cooperation Act of 1967) authorizes the Public Agencies to contract in the form of an interlocal agreement to provide for the manner of investment of surplus funds or proceeds of grants, gifts, or bequests to the parties to the interlocal agreement under the control of a legal or administrative entity created by that interlocal agreement.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS;

1. The Governing Body adopts the Participation Agreement substantially in the form of Exhibit B which is incorporated in the Resolution by reference thereto and agrees to join with other Public Agencies to become a Participant under the terms of the Participation Agreement and to accept additional Public Agencies as new Participants without subsequent action.

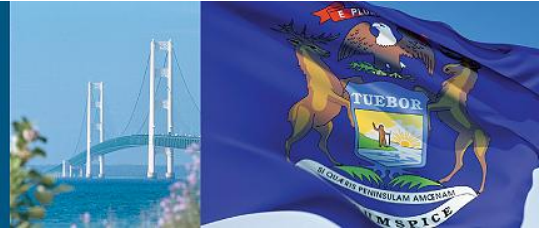
2. The Governing Body agrees to and concurs in the appointment of those Trustees either being appointed, to be appointed or currently serving as members of the Board of Trustees created under the Participation Agreement and recognizes those Trustees and their successors as the appointees of the Public Agency.

3. The Governing Body acknowledges and confirms the representation, warranties and covenants provided in the Participation Agreement to the Investment Advisor and Custodian under Participation Agreement, upon which they may respectively rely.

4. The Governing Body hereby authorizes \_\_\_\_\_ (the "Authorized Officer"), to take the following actions with regard to the participation of the Public Agency in the Participation Agreement:

a. Deliver a certified copy of this Resolution to Investment Advisor under the Participation Agreement.

b. Execute and deliver all notices, directions and instructions required or permitted by the Participation Agreement from the Public Agency or Participant.



c. Make contributions to the Investment Property as provided in the Participation Agreement and select all or part of the Surplus Funds (as defined in the Participation Agreement) to be contributed to the Investment Property.

d. Consent to an amendment to the Participation Agreement on behalf of the Public Agency if such amendment is not materially adverse to the interest of the Public Agency, is necessary to conform to the Participation agreement with law, or is a technical change necessary to facilitate the intent of the Participation Agreement.

5. The Participant understands and agrees that it shall not amend or repeal this Resolution except to the extent necessary to alter the limitations imposed on the Authorized Officer, to change Authorized Officers, or to withdraw from the Participation Agreement.

6. All resolutions and parts of resolution in conflict with this Resolution shall be, and hereby are, amended or repealed to the extent of such conflict.

RESOLUTION DECLARED ADOPTED

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(Clerk or Secretary)

**SCHEDULE 1**

The following are "Public Agencies" which propose to enter the Participation Agreement as Participants:

EXHIBIT E  
INVESTMENT CRITERIA

1. General Objectives

- (a) Legality: invest only in investments legally permissible to all Participants individually.
- (b) Safety: minimize risk by managing portfolio investments so as to preserve principal and maintain a stable asset value.
- (c) Liquidity: manage portfolio investments to ensure that cash will be available as required to finance Participants' operations.
- (d) Yield: maximize current income to the degree consistent with legality, safety and liquidity.

2. Permitted Investments

The Investment Advisor is hereby authorized by the Board to invest the Investment Property in any investment permissible to all Participants individually under the Investment Authority Acts, provided that such investment is consistent with the general objectives set forth above and with any specific requirements for a particular investment that may be set forth in the definition of Permitted Investments.

EXHIBIT F-1  
INVESTMENT POLICY

**Michigan CLASS Investment Policy**

1.0 PURPOSE:

Michigan CLASS is an interlocal investment program created by an interlocal agreement of various Michigan public agencies of government dated as of October 1, 1991, restated and with amendments through December 11, 2009 (the "Participation Agreement") for the purpose of jointly investing surplus funds of the participant public agencies of government. Pursuant to the Participation Agreement and as authorized by the Urban Cooperation Act of 1967, 1967(Ex Sess) PA 7, a board of trustees was created to hold title to investments on behalf of each participant. Capitalized terms used in this policy shall have the meaning ascribed to them in the Participation Agreement.

2.0 SCOPE AND OBJECTIVE:

It is the obligation of Michigan CLASS to cause funds of its participants to be invested in a manner which complies with the Investment criteria contained in the Participation Agreement. Those investment criteria apply to all assets considered Investment Property under the Participation Agreement and specify the objectives of the program related to safety, liquidity and yield (return on investment).

The investments will be diversified by security type and institution in order to minimize risk and exposure. Concentration of investments will depend, among other factors, on market conditions, on availability in terms of desired maturities, collateral and creditworthiness and on market yields.

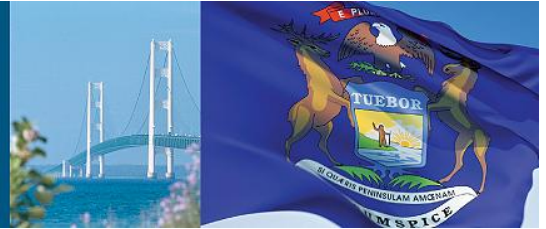
3.0 DELEGATION OF AUTHORITY

The authority of the Board to manage the Investment Property is derived from the Participation Agreement approved by each Participant pursuant to the Urban Cooperation Act of 1967, 1967(Ex Sess) PA 7. Pursuant to the Participation Agreement and the Investment Advisor Agreement, the Board and the Participants have appointed Cutwater Investor Services Corp. ("Cutwater") as Investment Advisor for the term set forth in an Investment Advisor Agreement between Cutwater and the Board and have delegated the authority to manage the investment property in accordance with the terms of the Participant Agreement and the Investment Advisor Agreement.

4.0 AUTHORIZED INSTRUMENTS:

Consistent with the Investment Criteria contained in the Participation Agreement and attached here to as Schedule 1, the board and the Investment Advisor are authorized to invest Investment Property in only the following:

- (a) US Treasury Bonds, Bills, Notes and Treasury Strips,
- (b) Obligations of an agency or instrumentality of the United States.



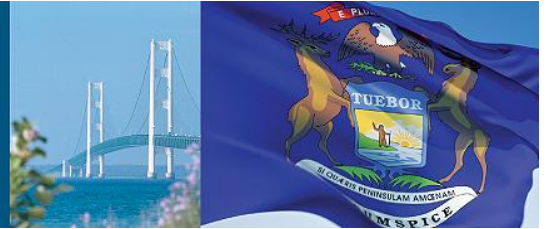
- (c) Commercial paper rated at the time of purchase within the highest two classifications established by not less than two standard rating services (i.e., as of September 18, 2009, A-1+ and A-1 by Standard & Poor's Ratings Service, P-1 by Moody's Investors Service, or F1+ and F1 by Fitch, Inc.) and that matures not more than 270 days after the date of purchase.
- (d) Commercial Paper which is rated at the time of purchase within the highest two classifications by not less than two standard rating services (i.e., as of September 18, 2009, A-1+ and A-1 by Standard & Poor's Ratings Service, P-1 by Moody's Investors Service, or F1+ and F1 by Fitch, Inc.), which matures not more than 270 days after the date of purchase and which is guaranteed by the FDIC Temporary Liquidity Guarantee Program, until the termination date of FDIC Temporary Liquidity Guarantee Program guarantee, occurring on the earlier of (i) the date an issuing institution opts out of participation in the program; (ii) the maturity date of the debt instrument; or (iii) June 30, 2012 for debt issued before April 1, 2009 and December 31, 2012 for debt issued on or after April 1, 2009.
- (e) Bankers' acceptances issued by FDIC member United States banks.
- (f) Repurchase agreements consisting of instruments listed in a subdivision (a or b) Repurchase agreements shall be 102% collateralized with Public Securities Association (PSA) Master Repurchase agreement on file and or tri-party custody agreement on file.
- (g) Certificates of deposit issued by and deposit accounts of a financial institution eligible under law to be a depository of Participant public agencies of government so long as such articles of deposit and/or deposit accounts are secured 102% at the value of each by eligible collateral listed on Exhibit B here to.
- (h) Mutual funds registered under the investment company act of 1940, maintaining a \$1.00 per share net asset value, and with authority to purchase investment vehicles that are legal for direct investment by all participant public agencies whose monies are invested in mutual funds that such participants acknowledge that the funds be placed in a special sub account created pursuant to the Participation Agreement, as amended.
- (i) Any other investment permissible to all Participants individually under Michigan Law and authorized by the board.

#### 5.0 SAFEKEEPING AND CUSTODY:

As provided by the Participation Agreement and the Investment Advisor Agreement, all security transactions, including collateral for repurchase agreements and financial institution deposits, entered into on behalf of Participants may be on a cash or delivery versus payment basis as determined by the Investment Advisor. Pursuant to the Participation Agreement and the Investment Advisor Agreement, the Investment Advisor has appointed a Custodian to receive, hold for reinvestment, and clears all Investment Funds and Investment property, as a fiduciary, in accordance with the Participation Agreement.

#### 6.0 PRUDENCE:

Investment of Investment Property, by the Investment Advisor, on behalf of Participants shall be made with the judgment and care under certain circumstances then prevailing which persons of fiduciary prudence discretion and intelligence exercise in the management of assets, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.



7.0 ACKNOWLEDGEMENT:

The Investment Advisor shall provide the broker or financial intermediary a copy of the Michigan CLASS Investment Policy and a form on which the broker or financial intermediary must acknowledge receipt of the Investment Policy and agree to comply with the said policy regarding the purchase and sale of securities.

8.0 REPORTS

In accordance with the Investment Advisor Agreement the Investment Advisor shall prepare or cause to be prepared a quarterly report and a written annual report, including the opinion of an independent public accountant to the Board of Trustees of Michigan CLASS within ninety days after the close of the fiscal year.

9.0 EFFECTIVE DATE:

This policy shall become effective on the day following adoption by the Board of Trustees of the Participation Agreement (Michigan CLASS). Any amendment to this Investment Policy shall become effective thirty days (30 days) after each Participant has received notice of the amendment.

Adopted: December 12, 2008

Last Amended, \_\_\_\_\_

## SCHEDULE 1

### ELIGIBLE COLLATERAL

1. Assets considered acceptable to the Michigan state treasurer under Section 3 of the Surplus Funds in Treasury Act, 1855 PA 105, to secure deposits of state surplus funds.
2. Any of the following:
  - a. Securities issued by the federal home loan mortgage corporation.
  - b. Securities issued by the federal national mortgage association.
  - c. Securities issued by the government national mortgage association.
3. Other securities considered acceptable to the depositor of public funds and the financial institution.
4. Any other collateral permissible by Michigan law and authorized by the Board, except that in no case shall an asset with a rating classification lower than A-1 by Standard & Poor's Ratings Service, P-1 by Moody's Investors Service or F1 by Fitch, Inc. be accepted as eligible collateral.