



LOCAL COMMUNITY STABILIZATION AUTHORITY
Authority Council

RESOLUTION 2016-14

Approve Tax-Intercept Agreement for School District of the City of Detroit

On September 29, 2016, in connection with the refinancing of certain financial obligations of the School District of the City of Detroit (the "**School District**"), the School District, the Michigan Finance Authority (the "**MFA**"), the Bank of New York Mellon Trust Company, N.A. (the "**Master Trustee**"), and the Treasurer of the State of Michigan (the "**State Treasurer**"), and the trustee of the MFA (the "**MFA trustee**") have entered into master debt retirement indenture dated September 1, 2016 (the "**Master Indenture**").

Under the Master Indenture, the School District has authorized the direct deposit by third parties of certain tax revenue payable to the School District, including any portion of the local community stabilization share tax levied by the Local Community Stabilization Authority (the "**LCSA**") under the Use Tax Act, Public Act 94 of 1937, as amended, MCL 205.91 to 205.111, and payable by the LCSA to the School District under the Local Community Stabilization Authority Act, Public Act 86 of 2014, as amended, MCL 123.1341 to 123.1362 (the "**LCSA Act**").

The School District, the Master Trustee, and the Authority want to enter into this agreement with the LCSA to provide for the payment by the LCSA directly to the Master Trustee of 100% of any local community stabilization share tax revenue payable to the School District so that any such revenue that the School District is entitled to receive from the LCSA will be applied and disbursed as required under the Master Indenture.

Under the LCSA Act, the School District is a municipality entitled to receive certain local community stabilization share revenue from the LCSA.

Among its other functions and responsibilities under the LCSA Act, the LCSA is authorized to contract for goods and services and to enter into agreements with other governmental entities.

The authority council of the Local Community Stabilization Authority therefore resolves as follows:

- that the following tax intercept agreement among the School District, the LCSA, the Master Trustee, and the MFA Trustee (the "**Intercept Agreement**") is hereby approved by the authority council on behalf of the Local Community Stabilization Authority:

"TAX INTERCEPT AGREEMENT

This Tax Intercept Agreement (the "**Agreement**") dated as of September 1, 2016, is made by and among the SCHOOL DISTRICT OF THE CITY OF DETROIT, County of Wayne, State of Michigan (the "**School District**"), the LOCAL COMMUNITY STABILIZATION AUTHORITY (the "**LCSA**"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as (i) trustee (the "**Master Trustee**") under that certain Master Debt Retirement Trust Indenture dated as of September 1, 2016 (the "**Master Indenture**") by and among the Michigan Finance Authority (the "**Authority**"), the State Treasurer of the State of Michigan, the School District and the Master Trustee, and (ii) trustee (the "**MFA Trustee**") under that certain

Sixteenth Supplemental Indenture dated as of September 1, 2016 (the "**Sixteenth Supplemental Indenture**") by and among the Authority and the MFA Trustee.

WHEREAS, pursuant to an order dated July 22, 2016 (the "**Emergency Loan Order**"), the Emergency Manager of the School District authorized the issuance of the School District's Emergency Loan Note (General Obligation Limited Tax) 2016-17 Series I, dated as of July 22, 2016, in the aggregate principal amount of One Hundred Fifty Million and No/100 Dollars (\$150,000,000) (the "**Emergency Loan Note**"), issued to the State of Michigan (the "**State**");

WHEREAS, pursuant to an order dated September 29, 2016, the Emergency Manager of the School District authorized the issuance of the School District's School Financing Stability Bonds (Limited Tax General Obligation)(Taxable), Series 2016-A and School Financing Stability Bonds (Limited Tax General Obligation), Series 2016-B (collectively, the "**Municipal Obligations**");

WHEREAS, the 2016 School District Bonds are being purchased by the Authority and financed by the Authority by its issuance of the Michigan Finance Authority Local Government Loan Program Revenue Bonds, Series 2016D-1 (School District of the City of Detroit Refunding Local Project Bonds) (Federally Taxable) and the Michigan Finance Authority Local Government Loan Program Revenue Bonds, Series 2016D-2 (School District of the City of Detroit Refunding Local Project Bonds) pursuant to the Sixteenth Supplemental Indenture;

WHEREAS, the School District, the Authority, the Master Trustee and the State Treasurer of the State of Michigan have entered into the Master Indenture which pledges certain funds, and establishes the priority for the disbursements of such funds, with respect to the payment of the 2016 School District Bonds, the Emergency Loan Note, the ORS Obligations (as defined in the Master Indenture) and the payments to certain vendors of the School District (as described in the Master Indenture);

WHEREAS, in connection with the Master Indenture, the School District has authorized the direct deposit by third-parties of the proceeds of 100% of the operating taxes levied by the School District pursuant to Section 1211 of Act 451, Michigan Public Acts of 1976, as amended, (the "**Operating Tax Revenues**") and any money generated under Act 86, Michigan Public Acts of 2014, as amended (the "**Community Stabilization Share Revenues**") and collectively with the Operating Tax Revenues, the "**Pledged Operating Tax Revenues**") with the Master Trustee;

WHEREAS, it is necessary for the School District, the Master Trustee and the MFA Trustee to enter into this Agreement with the Authority to provide for the payment by the Authority directly to the Master Trustee of 100% of the Community Stabilization Share Revenues that the School District is entitled to receive from time to time from the Authority in order that the Community Stabilization Share Revenues may be applied and disbursed as set forth in the Master Indenture;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth below, the parties hereto agree as follows:

Section 1. School District's Directions to Authority. The School District hereby irrevocably authorizes and directs the Authority to transfer the collected Community Stabilization Share Revenues directly to the Master Trustee at the times and in the manner set forth in Section 2 below.

Section 2. Authority's Intercept and Transfer of Collected Revenues. The Authority agrees that, pursuant to the irrevocable directions of the School District in Section 1 above, the Authority shall intercept all of the Community Stabilization Share Revenues and shall, beginning not later than November 1, 2017 and at regular intervals thereafter as required by law, wire the entire amount of Community Stabilization Share Revenues not previously transferred under this Agreement to the Revenue Fund established by the Master Indenture (in accordance with the wire instructions provided by the Master Trustee and attached as Exhibit A), notwithstanding any notice or other communication of any kind to the contrary that the Authority or any of its officials, employees or agents might receive from the School District.

Section 3. Disposition of Transferred Tax Receipts. The Master Trustee agrees to deposit all Community Stabilization Share Revenues that it receives from the Authority pursuant to this Agreement on behalf of the School District immediately upon receipt into the Revenue Fund established by the Master Indenture and to apply and disburse such funds as required by the Master Indenture.

Section 4. Agreement Not Indebtedness of the Authority. This Agreement shall not require the Authority to make an appropriation to the School District and shall not be construed as creating an indebtedness of the Authority.

Section 5. State Treasurer. When used in the Agreement, "**State Treasurer**" means the State Treasurer of the State or, under his authorization, a Deputy State Treasurer, a Bureau Director within the Michigan Department of Treasury or other appropriate official of the Department of Treasury as the State Treasurer may direct in writing.

Section 6. School District's Representations and Warranties. The School District hereby represents and warrants that this Agreement has been duly authorized, executed and delivered by the School District and is the valid and legally binding agreement and obligation of the School District enforceable against the School District in accordance with its terms. The School District hereby further warrants and represents that it has not pledged its current or future Pledged Operating Tax Revenues for the payment of any obligation other than as set forth in the Master Indenture.

Section 7. Authority's Representations and Warranties. The Authority hereby represents and warrants that this Agreement has been duly authorized, executed and delivered by the Authority and is the valid and legally binding agreement and obligation of the Authority enforceable against the Authority in accordance with its terms.

Section 8. School District's Acknowledgements. The School District expressly acknowledges that all moneys which are paid directly by the Authority to the Master Trustee pursuant to this Agreement shall be deemed to have been received by the School District in full satisfaction of the Authority's obligation to remit those taxes, and that the Authority's agreement herein to transfer all Pledged Operating Tax Revenues to the Master Trustee is being done as an accommodation to, and pursuant to the irrevocable directions of, the School District.

Section 9. Termination. The Master Trustee shall, with the prior written consent of the State Treasurer, notify the Authority in writing when the full principal of and all interest due on the 2016 MFA Bonds (as defined in the Master Indenture), the Emergency Loan Note and the ORS Obligations have been paid in full. This Agreement shall terminate upon the Authority and the School District's receipt of that written notice from the Master Trustee.

Section 10. The Master Trustee. The Master Trustee shall be entitled to the same protections, immunities and indemnities in so acting under this Agreement as it has in acting as Master Trustee under the Master Indenture. Subject to Section 16 below, the Master Trustee shall assign this Agreement to any successor trustee appointed pursuant to the terms of the Master Indenture.

Section 11. Notices. Any notice to be given in connection with any of the terms or provisions of this Agreement shall be in writing and be given in person, by delivery service, by facsimile transmission, or by mail, and shall become effective (a) on delivery if given in person, (b) on the date of delivery if sent by delivery service, (c) on the date of delivery if sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, or (d) four business days after being deposited in the mail, with proper postage for first class registered or certified mail, prepaid.

Until notified in writing by the appropriate party of a change to a different address, notices shall be addressed as follows:

(i) if to the School District:

School District of the City of Detroit
Fisher Building, 14th Floor
3011 West Grand Boulevard
Detroit, Michigan 48202
Attention: Emergency Manager
Fax Number: (313) 870-3726

With a copy to
School District of the City of Detroit
Fisher Building, 14th Floor
3011 West Grand Boulevard
Detroit, Michigan 48202
Attention: General Counsel
Fax Number: (313) 873-4564

(ii) if to the Authority: -

Michigan Finance Authority
Austin Building, 1st Floor
430 W. Allegan
Lansing, MI 48922
Attention: John Barton
Fax Number: 517-241-9509

(iii) if to the LCSA:

Department of Licensing and Regulatory Affairs
611 W. Ottawa
P.O. Box 30004
Lansing, MI 48909
Attention: LARA Administrator

(iv) if to the Master Trustee or the MFA Trustee:

The Bank of New York Mellon Trust Company, N.A.
719 Griswold Street, Suite 930
Detroit, Michigan 48226
Attention: Corporate Trust Division
Fax Number: (313) 967-5190

With a copy to:

Michigan Department of Treasury
430 W. Allegan Street
Lansing, MI 48922
Attention: Bureau of State and Authority Finance
Fax Number: (517) 241-9509

Section 12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan.

Section 13. Amendments. This Agreement may be amended or revised only by a written agreement signed by the School District, the LCSA, the Authority and the Master Trustee, and with the prior written consent of the State Treasurer on behalf of the State, and the Purchaser's Representative.

Section 14. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be deemed to be one and the same document. When all parties hereto have executed at least one counterpart, this Agreement shall be binding on all the parties hereto.

Section 15. Binding Effect; Assignment. This Agreement shall be binding upon the parties to this Agreement and upon their respective successors. No party to this Agreement may assign this Agreement without the prior written consent of the other parties to this Agreement.

Section 16. Entire Agreement; Supersedes. This Agreement, including the exhibits hereto (which are incorporated herein by reference), embodies the

entire Agreement and understanding between the parties as to the matters addressed in this Agreement and supersedes all prior agreements and understandings relating to the subject matter hereof, including the Original Tax Intercept Agreement which has been amended and restated by this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Tax Intercept Agreement in the spaces set forth below.

DETROIT

SCHOOL DISTRICT OF THE CITY OF

By: _____

Alycia Meriweather
Interim Superintendent, Detroit
Public Schools Community District, as
agent of the School District of the City
of Detroit

**LOCAL COMMUNITY STABILIZATION
AUTHORITY**

By: _____

Mary Anne Jones
Authority Council Chairperson

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Master Trustee and as
MFA Trustee**

By: _____

Tammy L. Davis
Vice President

Acknowledged and Agreed To:

STATE TREASURER OF THE STATE OF MICHIGAN

By: _____

Nick A. Khouri
State Treasurer

EXHIBIT A


WIRE INSTRUCTIONS

The Bank of New York Mellon
ABA 021 000 018
Credit Account #1722408400
Account Name: MFA DPS 2016 Revenue FD
Attn: Allen Golson, Ph. 313-967-4345"; and

- that the chairperson of the authority council is authorized to sign the Intercept Agreement on behalf of the Authority.

Secretary's Certification:

I certify that this resolution was duly adopted by the authority council of the Local Community Stabilization Authority at a properly-noticed open meeting held with a quorum present on November 18, 2016.

By: 
Megan Crandall
Secretary

4836-3934-4954.1