

**MICHIGAN SCHOOLS
ENERGY COOPERATIVE**

A Michigan Public Body Corporate organized
pursuant to the Urban Cooperation Act

INTERLOCAL AGREEMENT

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THIS INTERLOCAL AGREEMENT ("Agreement" or "Interlocal Agreement"), made among the undersigned public agencies of Michigan as Members, is for the purpose of enabling the Members to jointly exercise the power and authority which they share in common, and which each might exercise separately, to manage and purchase energy, either natural gas or electricity, and to acquire and install energy conservation facilities, to manage and purchase transportation fuel, and to manage and purchase various other goods and services, all as hereinafter defined as "Cooperative Programs" and as such are authorized by Section 11a of the Revised School Code, the Urban Cooperation Act, and other applicable law.

PREMISES

A. The Urban Cooperation Act provides that Michigan local and intermediate school districts and public post-secondary institutions as Michigan "public agencies" may exercise jointly with any other public agency of the State of Michigan any power, privilege or authority which such agencies share in common and which each might exercise separately.

B. The Members are Michigan local or intermediate school districts or public post-secondary educational institutions which desire to enter into this Agreement and to establish and organize a separate legal and administrative entity pursuant to Section 5 of the Urban Cooperation Act for the purpose of enabling Cooperative Programs.

C. The governing body of each Member has duly adopted a resolution authorizing it to become a party to this Agreement.

ARTICLE I

TERM OF AGREEMENT

1.1. Duration and Renewal. This Agreement and the Cooperative shall come into full force and effect September 1, 1997, or at such time as this Interlocal Agreement has been executed by three Members and is filed as provided in Article XII with the County Clerks for these Members and the Michigan Secretary of State, whichever occurs later. This Agreement and the Cooperative established hereby shall continue in existence for five years ending on June 30, 2001, subject to the provisions of this Agreement concerning renewal, withdrawal, dissolution and/or amendment.

1.2. Automatic Renewal. This Agreement shall automatically be renewed as of June 30, 2001, and each expiration date thereafter, for an additional term of five years, unless a majority of the Members by a vote of their governing bodies no later than the March 31st prior to each respective expiration date determine not to so extend this Agreement.

ARTICLE II

THE COOPERATIVE

2.1. Establishment. There is hereby established a separate legal and administrative entity to be known as the "Michigan Schools Energy Cooperative" (the "Cooperative"), and the Cooperative shall conduct all its activities under that name.

2.2. Nature of Cooperative. The Cooperative shall be a public body corporate having the powers granted in this Agreement.

2.3. Purpose. The purpose of the Cooperative is to provide a separate legal and administrative corporate entity through which the Members may jointly exercise and conduct

Cooperative Programs, but for whose actions the Members shall not be individually or separately liable, except as such liability may be established by separate written agreement or consent of the affected Member.

2.4. No Agency. The Cooperative has no authority to act as agent or to enter into any contract that will bind any Member, except as such authority may be established by separate written agreement or consent of the affected Member. This Agreement shall not create rights for any third person (other than the Cooperative and the Members), nor status as a third-party beneficiary of this Agreement, as against the Cooperative and the Members.

2.5. Location. The Cooperative shall maintain an office of record in the State of Michigan and the County of Ingham, and may maintain such other offices or places of business as the Cooperative may determine. The initial office of record of the Cooperative shall be the Michigan Schools Energy Cooperative, 826 Municipal Way, Lansing, Michigan, 48917. The office of record may be changed by resolution of the Executive Committee, and notice of such change of the office of record shall be given to each Member. The books and records pertaining to the Cooperative shall be kept and maintained at the office of record of the Cooperative.

ARTICLE III

COOPERATIVE PROGRAMS

3.1. Cooperative Programs. The Cooperative may from time to time provide to Members, and may also provide on a cost plus basis to Non-Members, Cooperative Programs generally described, but not limited, as follows:

- (a) Development and implementation of a cooperative program for the

coordinated purchase and management of natural gas, either aggregately or separately, for and on behalf of school districts and other entities, public or private, engaged in the field of education, and the provision of related services to such school districts and other entities.

(b) Development and implementation of a cooperative program for the coordinated purchase and management of deregulated electricity, either aggregately or separately, for and on behalf of school districts and other entities, public or private, engaged in the field of education, and the provision of related services to such school districts and other entities.

(c) Development and implementation of a cooperative program for the coordinated implementation and management of energy conservation project contracting and financing, either aggregately or separately, for and on behalf of school districts and other entities, public or private, engaged in the field of education, and the provision of related services to such school districts and other entities.

(d) Development and implementation of a cooperative program for the coordinated purchase and management of transportation fuel, diesel, gasoline, natural gas, or otherwise, either aggregately or separately, for and on behalf of school districts and other entities, public or private, engaged in the field of education, and the provision of related services to such school districts and other entities.

(e) Development and implementation of a cooperative program, if approved by a two-thirds vote of the Board of Directors, for the coordinated purchase and management

of any goods or services necessary and useful for the operation or administration of a school or school district, either aggregately or separately, for and on behalf of school districts and other entities, public or private, engaged in the field of education, and the provision of related services to such school districts and other entities.

3.2. Standards and Requirements. The Cooperative shall establish all standards and requirements for Member and Non-Member participation in any Cooperative Programs.

3.3. Fees and Charges. The Executive Committee shall determine membership and Cooperative Program fees and charges, and any changes thereof, and shall determine how and when such fees and charges shall be collected.

ARTICLE IV

COOPERATIVE POWERS

4.1. General Powers. The Cooperative shall possess the common power of the Members to conduct, operate and provide the Cooperative Programs, which common power the Cooperative may exercise in the manner of the specific powers granted to the Cooperative elsewhere in this Agreement and by the general powers set forth as follows and in Section 4.2, all of which the Cooperative may exercise in its own name:

- (a) To make and enter into contracts.
- (b) To employ agencies or employees.
- (c) To acquire, construct, manage, maintain, or operate buildings, works or improvements.
- (d) To acquire, hold or dispose of property.

- (e) To incur debts, liabilities or obligations to the extent permitted by law.
- (f) To cooperate with public agencies, and the agencies and instrumentalities of those public agencies.
- (g) To receive and administer gifts, grants, bequests or assistance funds.
- (h) To make loans from the proceeds of gifts, grants, bequests or assistance funds.
- (i) To sue and be sued.

4.2. Construction of General Powers. The foregoing enumeration of Cooperative general powers shall not be construed as a limitation on such powers. Subject to the limitations of Section 4.3. and Section 4.4., the Cooperative may do and perform such acts and things as it deems necessary and proper for conducting the affairs of the Cooperative or promoting the interests of the Cooperative and its Members.

4.3. No Taxing Power. The Cooperative shall not have the power to levy any type of tax nor, without the express consent of all Members, in any way to indebt or bind any Member.

4.4. Not for Profit. The Cooperative shall not be operated for profit. No part of Cooperative earnings shall inure to the benefit of any person other than the Members.

ARTICLE V
ORGANIZATION

5.1. Governance. The Board of Directors shall determine the general policy of the Cooperative and shall have the power, authority and duty of general control and oversight of the Cooperative in accordance with this Agreement, the Bylaws adopted pursuant to this Agreement, and applicable law, particularly the Urban Cooperation Act. The Executive Committee may act on all matters and affairs of the Cooperative to the extent to which it is granted power or authority by this Agreement or by the Board of Directors. The Board of Directors may determine to share any power or authority granted by it, or by this Agreement to the Executive Committee.

5.2. Board of Directors. The governing body of each Member shall appoint one representative to the Board of Directors of the Cooperative and may also provide for an alternate representative to act by proxy in the absence of its primary representative. A director may be replaced by the governing body of the appointing Member at any time with or without cause. The term of office of each director shall be indefinite or otherwise as determined by the governing body of the appointing Member.

5.3. Executive Committee. The Executive Committee shall be elected by the Board of Directors from among those directors who represent Members who are fee-paying participants in Cooperative Programs. The Executive Committee initially shall consist of seven members, but may be increased by Bylaw. A representative of the Support Committee who shall also serve on the Executive Committee as a non-voting ex officio member. The Executive Committee shall have the authority and duty to oversee (i) the implementation of the policies established by the Board of

Directors, (ii) the preparation and adoption of the annual budget of the Cooperative, (iii) the actions of all standing and ad hoc committees, (iv) the activities of Cooperative officers, employees, agents and contractors, and (v) generally oversee the Cooperative Programs. The Executive Committee shall authorize and approve all contracts of the Cooperative. The Executive Committee shall also have such authority, powers and duties as are granted elsewhere in this Agreement, or as are granted or limited by the Board of Directors, or as are necessary or incidental to its performance of its foregoing authority, powers or duties. Members of the Executive Committee may serve one seven-year term. During the 5th year on the executive committee, the member will serve as president elect, during the 6th year as president and during the 7th year as past president. If for any reason a member becomes the second most senior member on the executive committee, the member will serve as president on a continuing basis until finishing the 6th year of the member's term. Any member of the executive committee may be replaced by the Board of Directors at any time without cause.

5.4. Actions, General and Interim, of the Cooperative. Except as otherwise provided in this Agreement and/or the Bylaws, all actions taken by the Board of Directors or the Executive Committee, respectively, shall be by majority vote of a quorum consisting of a majority of the voting members of the Board of Directors or the Executive Committee, respectively. During the interim period through June 30, 1998 (at about which time the Executive Committee shall be elected by the Board of Directors), the Members hereby determine and direct that the Support Committee act on their behalf as the interim executive committee and take any actions as they deem necessary and appropriate that the Executive Committee might take.

5.5. Meetings. Meetings of the Board of Directors and the Executive Committee shall be as follows:

(a) Regular meetings of the Board of Directors shall be held at least once per year on a day or date and at a time and place determined by a resolution of the Board of Directors, but subject to the Cooperative's Bylaws. Special meetings may be called by the President or by any two members of the Board of Directors in accordance with notice provisions in the Cooperative's Bylaws.

(b) Regular meetings of the Executive Committee shall be held at least once per calendar quarter on a day or date and at a time and place determined by resolution of the Executive Committee, but subject to the Cooperative's Bylaws. Special meetings may be called by the President or by any two members of the Executive Committee in accordance with notice provisions in the Cooperative's Bylaws.

5.6. Officers. The Executive Committee shall annually elect, from among its members, a President, a Vice-President, a Secretary, and a Treasurer, or alternatively may appoint a non-voting Secretary/Treasurer, who may be an employee of any Member or Support Organization.

(a) The President shall preside at meetings of the Board of Directors and the Executive Committee, and shall have such other powers as are set forth elsewhere in this Agreement, in the Bylaws or and as are granted by the Board of Directors or the Executive Committee.

(b) The Vice President shall carry out all duties of the Chairperson during the

absence or inability of the President to perform such duties, shall carry out such other functions as are assigned by the President, the Board of Directors, or the Executive Committee, and in case of a vacancy in the office of President, succeed to the office of President for the balance of the unexpired term.

(c) The Secretary of the Cooperative shall record and sign the minutes of meetings, orders, resolutions, and other proceedings of the Cooperative in proper record books, and preserve and file copies of reports, books, papers, and other documents of the Cooperative, and deliver them to a successor in office

(d) The Treasurer of the Cooperative shall have care and custody of all moneys of the Cooperative and shall deposit funds of the Cooperative in the depository or depositories designated by the Executive Committee, in the proportion and manner so directed, in accordance with Section 6.2.

The officers shall perform other duties required by law or established by the Board of Directors under the Bylaws, and may be removed without cause by the Board of Directors.

5.7. Support Committee. The executive directors of the Michigan Association of Intermediate School Administrators, Michigan Association of School Administrators, Michigan Association of School Boards, Middle Cities Education Association, and Michigan School Business Officials, shall serve as a Support Committee to the Cooperative. The Support Committee shall have the authority to determine and recommend activities and strategies pertaining to implementation of Cooperative Programs, recruitment of new Members, and the obtaining of necessary and appropriate governmental actions by the Executive and/or Legislative Branches of

State Government. The Support Committee may further assist in the implementation and/or execution of any such activities or strategies to the extent so authorized by the Board of Directors or Executive Committee. The Support Committee shall designate one of its members as ex officio non-voting member of the Executive Committee. In addition, the Support Committee or any one or more of its members shall function as advisors to the Board of Directors and the Executive Committee, and may attend meetings of the Board of Directors and the Executive Committee. The Support Committee shall have such other authority and duties as are granted or limited by the Board of Directors or the Executive Committee. The Support Committee shall conduct its meetings and affairs upon such informal basis as its members may accept or determine, or the Support Committee may, as it deems necessary, establish procedures for the conduct of its activities and affairs, which procedures shall be presented to the Board of Directors or Executive Committee for its ratification.

5.8. Other Committees. The Executive Committee may establish and discharge such other standing or ad hoc committees ("Other Committees") of the Cooperative as it may determine, which, when specifically charged to do so by the Executive Committee, shall conduct studies, make recommendations to the Executive Committee, and act in an advisory capacity, but shall not take action on behalf of the Cooperative. Other Committee members and its chairperson shall be appointed by the President.

5.9. Bylaws. The Board of Directors, by two-thirds vote, may adopt, amend or repeal Bylaws for the manner and evidence of appointment, vacancy and replacement of members of the Board of Directors and Executive Committee, composition of the membership of the Executive Committee, those matters referenced in this Agreement as subjects for Bylaw, and otherwise as

necessary or appropriate, and the conduct of the affairs and proceedings of the Cooperative, including the Board of Directors, the Executive Committee, and upon its request, the Support Committee. The Bylaws shall not be in conflict with the terms and conditions of this Agreement.

5.10. Administrator. The Executive Committee may designate a fiscal agent and/or administrator to administer the operational and financial affairs. Any fiscal agent and/or administrator so appointed shall be an employee of the Cooperative, a Member, or an organization having representation on the Support Committee (which in such case shall hereinafter be referred to as a "Support Organization"). Any fiscal agent and/or administrator so appointed shall furnish a fidelity bond with the Cooperative as obligee, in an amount sufficient to protect the Cooperative and its assets against the misappropriation or misuse of any monies or securities held by or in the name of the cooperative. The amount of the bond shall be determined by the Executive Committee and evidence of such bond shall be filed with the appropriate entities.

ARTICLE VI

COOPERATIVE PROPERTY AND MONEYS

6.1. Legal Title. Legal title to all Cooperative property shall be vested in the Cooperative, except that the Cooperative shall have full and complete power to cause legal title to any Cooperative property to be held, if permitted by law, by or in the name of the Cooperative, or in the name of any other person and with such powers as the Cooperative may determine.

6.2. Deposit and Investment of Funds. The Cooperative shall deposit Cooperative moneys or funds with one or more banks, savings and loan associations, credit unions, or joint investments or other permitted depositories in the manner and as could be made by a Member under the Revised School Code, particularly its Section 1221. If authorized by Executive Committee resolution, the Treasurer may invest Cooperative funds in any investments which could be made by a Member under the Revised School Code, particularly its Section 1223. The Cooperative shall have no responsibility for any loss which may occur by reason of the failure of any depository or investment obligor with whom Cooperative moneys have been deposited or invested in accordance with the requirements of this Section.

6.3. Surety Bond. Within 30 days after appointment the Treasurer shall file with the Executive Committee an official surety bond in an amount and form determined by the Executive Committee. The Executive Committee shall provide that all persons connected with the administration of Cooperative moneys shall be bonded. The Cooperative shall pay the cost of the surety bond.

ARTICLE VII

FINANCIAL PROVISIONS

7.1. Fiscal Year and Accounts. Subject to the Uniform Budgeting and Accounting Act, the Executive Committee shall have full power to determine the fiscal year of the Cooperative and the method or form in which its accounts shall be kept. Until changed by the Executive Committee, the fiscal year of the Cooperative shall be from July 1 through June 30.

7.2. Budget Adoption, Approval and Obligations. The Executive Committee shall adopt a budget for operation of the Cooperative no later than the first day of each new fiscal year, and may revise the budget as needed. In the event that the budget or budget revision projects a deficit, such budget or budget revision shall be promptly submitted to the governing body of each Member for remedial action on such deficit. Member awareness or acceptance of a deficit projection shall not render a Member liable for any portion of such deficit. No funding obligation for a budget charge or deficit shall be imposed upon a Member unless, and only to the extent, agreed to by an adopted resolution of the governing body of such Member.

7.3. Payments in Lieu of Cash. To the extent permitted by the Cooperative, a Member's contributions of staff, services, supplies or capital equipment may be credited against its obligations, if any, for Cooperative Program fees and charges under Section 3.3 or budget charges under Section 7.2. For the purpose of calculating employee costs, Members shall be credited for the full cost of both salary and benefits. For the purpose of calculating contributions for supplies or capital equipment, Members may be credited for the actual cost thereof. The Executive Committee shall develop guidelines and the methodology for calculating the actual cost of permissible

contributions.

7.4. Accountability and Audit. The Executive Committee shall be responsible for the proper accounting of funds generated, received and expended in accordance with state accounting requirements, in particular, the Uniform Budgeting and Accounting Act, generally accepted accounting principles and procedures, and this Agreement. The Executive Committee shall engage a qualified auditor to prepare at the close of each fiscal year a financial audit of the Cooperative financial records and a report of recommendations concerning accounting records, procedures and related activities as appear to such auditor as necessary or desirable. Such audit and report shall be made available by the Executive Committee to the Board of Directors and the Members. A Member shall have the authority to audit the Cooperative's receipts and disbursements to ascertain that the Cooperative is in compliance with applicable law and this Agreement.

ARTICLE VIII

PERSONNEL

8.1. Employees and Contractors. The Cooperative shall have power to appoint, employ, retain, or contract with any person of suitable qualifications as the Executive Committee may deem necessary or desirable for conducting the affairs of the Cooperative. The manner of employing, engaging, compensating, transferring or discharging any person as an employee of the Cooperative shall be subject to applicable law. With respect to its employment of personnel under this Section, the Cooperative shall be regarded as the employer for all labor relations and employment purposes, to the full extent permitted by law.

8.2. Member or Support Organization Employees. A Member or Support

Organization assigning its employees for work on Cooperative Programs shall retain all status and identity as the employer of such employees. Such employees shall, if such is the case, also remain members of their bargaining units. The responsibility for payment of all wages and benefits of such employees shall remain that of the Member or Support Organization employer. Any tenure or other employment rights shall be exclusively between such employees and their Member or Support Organization employer. However, because of the assignment of such employees to a Cooperative Program, the right to evaluate, manage, supervise and otherwise regulate and control the activities and performance of such employees shall be delegated by their Member or Support Organization employer to the Cooperative. The Cooperative shall have authority to conclude such employees' assignment to Cooperative Programs and to return such employees to their Member or Support Organization employer at any time. The Cooperative shall not be considered a party or successor with regard to any collective bargaining agreement between a Member and its bargaining representative for its employees assigned to the Cooperative.

8.3. Compensation and Expenses. The Executive Committee shall fix the compensation, of any Cooperative employees. The Executive Committee may reimburse the Executive Committee members, Officers and Support Committee members for expenses reasonably incurred on behalf of the Cooperative.

8.4. Indemnification. The Cooperative may hold harmless, indemnify, pay, settle, or compromise a judgment against a Cooperative Director, Executive Committee member, Officer, Support Committee member, or employee to the extent permitted by law.

8.5. Conflict of Interest. Subject to the provisions of Act 566, Michigan Public Acts,

1978, MCL 15.181, *et seq*; MSA 15.1120(121), *et seq*, or other similar law now or hereinafter in effect, the Executive Committee may adopt standards with respect to conflicts of interest and similar matters to govern (i) Cooperative Directors, Executive Committee members, Officers, Support Committee members, employees and agents and (ii) contractors and such other persons and their affiliates as the Executive Committee may deem appropriate.

8.6. Legal Counsel. The Cooperative may employ an attorney to represent the Cooperative in actions brought for or against the Cooperative and to render other legal services for the welfare of the Cooperative. The Board of Directors or the Executive Committee may consult with an attorney concerning any questions or matters which may arise with reference to the duties and powers of either body with any other matter with reference to this Agreement or Cooperative Programs. The opinion of such attorney shall be full and complete authorization and protection in respect to any action taken or by the Board of Directors or the Executive Committee under this Agreement in good faith in accordance with the opinion of such attorney, and the Board Of Directors and the Executive Committee shall not be liable therefor.

ARTICLE IX

COOPERATIVE CONTRACTS AND PURCHASES

9.1. Contract Authorization. Any agreement, instrument, order or writing in order to be a valid contract binding on the Cooperative must be approved or ratified by action of the Executive Committee, but shall never be binding upon a Member by sole reason of any Cooperative action.

9.2. Execution of Contracts. The Executive Committee may delegate to one or more of

its officers the execution of contracts in the name of the Cooperative as the Executive Committee may deem expedient and appropriate.

9.3 Purchases. The Executive Committee shall have full and complete power (i) to incur and pay charges or expenses for purchases which in the determination of the Executive Committee are necessary or incidental to or proper for carrying out any of the purposes of the Cooperative or this Agreement, (ii) to reimburse others for the payment therefor, and (iii) to pay appropriate compensation or fees from the funds of the Cooperative to persons with whom the Cooperative has contracted or transacted business.

ARTICLE X

LIABILITIES AND INSURANCE

10.1. Liabilities. The Cooperative and each Member will each be solely and entirely responsible for acts or omissions attributable to it or its agents, employees, or subcontractors during the performance of this Agreement and each agrees, to the extent permitted by law, to indemnify the other parties to this Agreement, Cooperative and Members, from any claims and/or judgments arising from such acts or omissions.

10.2. General Insurance Coverage. The Cooperative shall maintain insurance naming the Cooperative as insured, and may maintain insurance naming the Members as additional insureds, protecting against all liability or loss, and against all claims or actions based upon or arising out of damage or injury (including death) to persons or property caused by or sustained in connection with the Cooperative Programs under this Agreement or by conditions created thereby, or based upon any violation of any constitutional provision, statute, ordinance, code, or regulation

and the defense of any such claims or actions.

10.3. Member's Insurance. Each Member shall be responsible for taking into account the insurance arranged by the Cooperative, and shall maintain such insurance as will fully protect itself, its agents, employees, and contractors from any and all other claims of whatsoever kind or nature for damage to property or for personal injury, including death, which may arise from the Member's participation in the Cooperative or Cooperative Programs.

ARTICLE XI

MEMBERSHIP

11.1. Admission of Members. Any local or intermediate school district or public post-secondary educational institution is qualified for membership in the Cooperative, and upon its application for membership, shall be accepted for membership by the in the Cooperative unless disapproved for any reason by the Executive Committee, and shall be bound by the terms and conditions of this Agreement effective as of a date and time of the signing of a counterpart of this Agreement by both the applicant for membership and the Cooperative on behalf of its Members. The Secretary of the Cooperative shall cause a current and up-to-date list of all Members to be kept on file in the office of the Cooperative.

11.2. Withdrawal of Members. A Member may withdraw from the Cooperative by written notice to the Cooperative. Any action or inaction by a Member for the termination of its participation in a Cooperative Program pursuant to the terms and conditions of that Cooperative Program shall also automatically withdraw that Member's membership in the Cooperative. No withdrawal by a Member shall operate to annul this Agreement or terminate the existence of the

Cooperative. Such withdrawing Member shall forfeit its interest in Cooperative Property. Withdrawal from the Cooperative shall not relieve the withdrawing Member from any obligations under this Agreement or any other agreement(s) or arrangement(s) between the withdrawing Member and the Cooperative and/or the other Members with respect to Cooperative Programs or any other matter.

11.3. Expulsion of Members. By vote of two-thirds (2/3) of the entire voting membership of the Board of Directors, any member may be expelled. Such expulsion may be carried out for one or more of the following reasons:

- (a) Failure to pay Program or membership fees or charges;
- (b) Failure to make appropriate financial or other contributions to the Cooperative to an extent comparable with other Members;
- (c) Failure to furnish full cooperation with the Cooperative's officers, employees, agents, Energy Advisors, or attorneys relating to the purpose and powers of the Cooperative; or
- (d) Failure to carry out any obligation under this Agreement, or any other agreement by the Member with the Cooperative, other Member(s), or the Energy Advisors.

No Member may be expelled except upon 30 days written notice of the alleged failure and opportunity to present evidence of correction of alleged failure. The Member may request a hearing before the Executive Committee prior to any decision being made. Such request must be received by the President within 15 days after delivery of the notice. The Executive Committee shall set a date for hearing which shall not be less than 15 days after receipt of the request for a hearing. A

decision by the Executive Committee to expel a Member after notice and hearing, and a failure to correct the alleged defect, shall be final.

ARTICLE XII

RESOLUTION OF DISPUTES

12.1 Matters to be Submitted to Arbitration. All disputes and controversies of every kind and nature between or among the Cooperative and/or the Members arising out of or in connection with the performance of this Agreement or as to the existence, construction, validity, interpretation or meaning, performance, non-performance, enforcement, operation, breach, continuance, or termination/dissolution thereof, shall be submitted to arbitration pursuant to a procedure therefore established by Bylaw if such disputes and controversies cannot be resolved through negotiation by the Cooperative and the Members. Such arbitration may be made bar to suit, except to enforce the award of the arbitrator.

ARTICLE XIII

AMENDMENT OF AGREEMENT; DURATION OF COOPERATIVE

13.1. Amendment or Termination.

(a) The provisions of this Agreement may be amended, or this Agreement and the Cooperative may be terminated, by such action of the Members by vote of their respective governing bodies, by two-thirds vote with respect to amendment, and by unanimous vote with respect to termination.

(b) Upon the termination of this Agreement and the Cooperative:

(1) The Cooperative shall carry on no business except for the purpose of

winding up its affairs;

(2) The Cooperative shall proceed to wind up the affairs of the Cooperative and all of the powers of the Cooperative under this Agreement shall continue until the affairs of the Cooperative shall have been wound up, including, without limitation, the power to fulfill or discharge the contracts of the Cooperative, collect and dispose of Cooperative property, discharge or pay its liabilities, and do all other acts appropriate to liquidate its affairs; provided, however, that any disposition of all or substantially all of the Cooperative property shall require approval of the principal terms of the transaction and the nature and amount of the consideration by two-thirds vote of the Board of Directors; and

(3) After providing for the payment of all liabilities, and upon receipt of such releases and indemnities, as it deems necessary for its protection, the Cooperative shall distribute the remaining Cooperative property, in cash or in kind or partly in each, among the Members, as determined by two-thirds vote of the Board of Directors on a pro rata basis according to time of membership and corresponding growth in Cooperative property.

(c) Upon termination of the Cooperative and distribution of Cooperative property to the Members, the Cooperative shall execute and file with the Michigan Secretary of State an instrument in writing setting forth the fact of such termination, and except as provided by applicable law, the Cooperative shall thereupon be discharged from all further liabilities and duties hereunder, and the right, title and interest of all Members

shall cease and be discharged.

13.2. Effectiveness of Amendments. Any amendment of this Agreement shall be effective only upon (a) the execution of the amendment or by at least two-thirds of the Members, and (b) any State of Michigan approvals or filings required under the Urban Cooperation Act.

13.3. Reorganization. If permitted by applicable law, the Cooperative by two-thirds vote of the Board of Directors may select, or direct the organization of, a business or non-profit corporation, association or trust with which the Cooperative may merge, or which shall take over the Cooperative property and carry on the affairs of the Cooperative, and by two-thirds vote of the Board of Directors may effect such merger or may sell, convey and transfer the Cooperative property to such corporation, association or trust, with the assumption by such transferee of the liabilities of the Cooperative; and thereupon the Cooperative shall terminate in accordance with Section 13.1.

ARTICLE XIV

RECORDING OF INTERLOCAL AGREEMENT

14.1. Recording. So long as required by the Urban Cooperation Act, prior to its effectiveness this Agreement or amendment thereto must be filed with the Michigan Secretary of State and with the Ingham County Clerk, and any executed counterpart of this Agreement or amendment thereto must also be filed with the County Clerk of the County of location of a party to this Agreement (other than the Cooperative which is either a resulting entity, or representative signatory, of this Agreement.) Evidence of such filing certified by or on behalf of the Michigan Secretary of State and County Clerk, as the case may be, for such filing shall be placed in the

Cooperative's records.

ARTICLE XV

MISCELLANEOUS

15.1. Successors and Assigns. No Member nor the Cooperative shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the Executive Committee. This Agreement shall inure to the benefit and shall be binding upon the successors and permitted assigns of the Members and the Cooperative.

15.2. Governing Law. This Agreement shall be governed by the laws of the State of Michigan.

15.3. Severability. If any part of this Agreement is declared to be null, void or unenforceable, all other provisions of this Agreement shall remain in full force and effect.

15.4. Notices. Notices or other communications under this Agreement shall be in writing, marked to the attention of the Secretary of the Cooperative and the Superintendent of a Member School District or President of a Member post-secondary educational institution, and shall be deemed to have been fully duly given (i) on the date of service if served personally on the party to whom the notice is given at its address listed alongside its signatory lines at the end of this Agreement, or (ii) on the day after delivery to a private courier or to the United States Postal Service for regular mail service.

A Member may change its address for the purpose of this paragraph by giving the Cooperative notice of its new address in the manner set forth above.

15.5. Amendment; Waivers. This Agreement and any of the terms, covenants, representations, warranties, or conditions of this Agreement may be waived only by a written instrument executed by the Cooperative and/or affected Member(s), and such waiver, covenant, Agreement shall not be deemed nor construed as a continuing waiver, or waiver of any other provision, term, covenant, representation, or warranty or condition of this Agreement.

15.6. Entire Agreement. This Agreement, in its executed counterparts, contains the entire understanding among the Members with respect to the Cooperative Programs and supersedes all prior and contemporaneous agreements and understandings, oral or written, with regards to the Cooperative and Cooperative Programs. All schedules hereto and any policies, documents and instruments delivered pursuant to any provision hereof are expressly made a part of this Agreement.

15.7. Further Matters. The Members agree to perform such additional acts and execute such additional documents as are reasonably necessary to effectuate or carry out this Agreement.

15.8. Paragraph Headings. The paragraph headings in this Agreement are for reference purposes only and shall not effect the meaning or interpretation of this Agreement.

15.9. Counterparts. This Agreement shall be executed in counterparts separately by each Member, each of which counterparts shall be deemed an original, and all of which shall constitute one and the same instrument.

15.10. Authorization. This Agreement has been duly authorized, executed, and delivered by the Members hereto and constitutes a legal, valid, and binding obligation of such parties, enforceable in accordance with its terms. Each individual's signature hereto represents and warrants that the signatory is duly authorized to execute this Agreement on behalf of the signatory's party for

which the signature appears. Following the effective date of this Agreement, and organization of the Cooperative, the Cooperative is authorized by its Members to execute and deliver on their behalf, counterparts of this Agreement with new Members.

Effectiveness: This First Amendment of the Interlocal Agreement shall become effective upon execution of the First Amendment by at least two-thirds of the Members of the Cooperative who are such Members on July 1, 2010, and any State of Michigan approvals or filings required under the Urban Cooperation Act.

IN WITNESS WHEREOF, the undersigned parties, pursuant to the authority granted by the Urban Cooperation Act have caused this **Interlocal Agreement** to be executed by their duly authorized signatures on the date(s) indicated.

WITNESSED:

Secretary of the Board

(Name of School District)

By: _____
(Authorized Signatory)

Title: Superintendent

Date

Address: _____

Attention: _____

**MICHIGAN SCHOOLS
ENERGY COOPERATIVE**

Date

By: _____

Title: _____