

ORDINANCE NO. 230

AN ORDINANCE TO AMEND ORDINANCE NO. 187 TO AUTHORIZE THE ISSUANCE OF WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS; TO PROVIDE FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF IMPROVEMENTS TO THE WATER SUPPLY SYSTEM OF THE CITY OF STANDISH; TO PROVIDE FOR THE ISSUANCE AND SALE OF JUNIOR LIEN REVENUE BONDS TO PAY THE COST THEREOF; TO PRESCRIBE THE FORM OF THE BONDS; TO PROVIDE FOR THE COLLECTION OF REVENUES FROM THE SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE OF THE SYSTEM AND TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF THE REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE BONDS IN ENFORCEMENT THEREOF; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE BONDS AND THE SYSTEM.

THE CITY OF STANDISH ORDAINS:

Section 1. Definitions. The following words and terms used in this Ordinance shall have the meanings assigned in the preamble to this Ordinance and in this Section, unless the context clearly indicates otherwise. Words and terms not otherwise defined herein shall have the meanings assigned to them in Ordinance No. 187.

The word "acquired," as used in this Ordinance, shall be construed to include acquisition by purchase, construction or by any other method.

"1994 Bonds" or "Outstanding Bonds" shall mean the Issuer's 1994 Water Revenue Bonds, dated September 1, 1994, and issued in the original principal amount of \$450,000, pursuant to Ordinance No. 187.

"Act 94" shall mean Act 94, Public Acts of Michigan, 1933, as amended.

"Additional Bond" and "Additional Bonds" shall mean the Bonds issued pursuant to Section 17 of Ordinance No. 187 and subject to the terms of this Ordinance.

"Authorized Officers" shall mean the City Manager, City Clerk or City Treasurer of the Issuer.

"Bond" and "Bonds" shall mean the Senior Lien Bonds.

"Department of Treasury" shall mean the Department of Treasury of the State of Michigan.

"Depository Bank" shall mean Citizens Bank of Standish in Standish, Michigan, a member of the Federal Deposit Insurance Corporation, or other financial institution qualified to serve as depository bank and designated by resolution of the Issuer.

"Engineer" shall mean Gove Associates Inc., Kalamazoo, Michigan.

"Fiscal Year" shall mean the fiscal year of the Issuer and the operating year of the

System, commencing July 1 and ending June 30 of the subsequent year, as such year may be changed from time to time.

"Government" shall mean the government of the United States of America or any agency thereof.

"Issuer" shall mean the City of Standish, County of Arenac, State of Michigan.

"Junior Lien Bonds" shall mean any bonds or series of bonds payable from Net Revenues deposited in the Junior Lien Bond Fund after satisfaction of requirements for funding the Redemption Fund and which shall have a statutory second lien on the Net Revenues and be junior and subordinate in all respects to the statutory lien securing the Bonds.

"Junior Lien Bond Reserve Account" shall mean the subaccount in the Junior Lien Bond and Interest Redemption Fund established in accordance with Section 12 of this Ordinance.

"Ordinance" shall mean this ordinance and any ordinance or resolution of the Issuer amendatory or supplemental to this ordinance, including ordinances or resolutions authorizing issuance of Additional Bonds.

"Outstanding Ordinance" or "Ordinance No. 187" shall mean Ordinance No. 187 adopted May 16, 1994, authorizing the issuance of the 1994 Bonds.

"Project" shall mean the acquisition and construction of certain additions, renovations, expansions and improvements to the System, together with all necessary interests in land, rights of way and all appurtenances and attachments thereto.

"Public improvements," shall be understood to mean the public improvements, as defined in Section 3 of Act 94, which are authorized to be acquired and constructed under the provisions of Ordinance No. 187 and this Ordinance.

"Reserve Amount" shall mean: (a) with respect to the Senior Lien Bonds the lesser of (1) the maximum annual debt service due on the Senior Lien Bonds in the current or any future year, (2) 125% of the average annual debt service on the Senior Lien Bonds, or (3) 10% of the principal amount of the Senior Lien Bonds on the date of issuance of the Bonds; and (b) with respect to the Bonds the amount required to be on deposit in the Junior Lien Bond Reserve Account with respect to a series of Junior Lien Bonds.

"Revenues" and "Net Revenues" shall mean the revenues and net revenues of the Issuer derived from the operation of the System and shall be construed as defined in Section 3 of Act 94, including with respect to "Revenues," the earnings derived from the investment of moneys in the various funds and accounts established by the Outstanding Ordinance and this Ordinance.

"Senior Lien Bonds" shall mean the 1994 Bonds, together with any Additional Bonds hereafter issued which are of equal standing and priority of lien in all respects to the Net Revenues with the 1994 Bonds and secured by the statutory first lien on the Net Revenues of the System.

"Series 2005A Bonds" shall mean the Water Supply System Junior Lien Revenue Bonds, Series 2005A (Limited Tax General Obligation), in the principal amount of \$2,383,000 authorized by this Ordinance.

"Series 2005B Bonds" shall mean the Water Supply System Junior Lien Revenue Bonds, Series 1998B (Limited Tax General Obligation), in the not to exceed principal amount of \$740,000 authorized by this Ordinance.

"Series 2005 Bonds" shall mean the Series 2005A Bonds and the Series 2005B Bonds.

"System" shall mean the Issuer's water supply system including such facilities thereof as are now existing, are acquired and constructed as the Project, and all enlargements, extensions, repairs and improvements thereto hereafter made.

"Transfer Agent" shall mean the transfer agent and bond registrar for each series of Bonds as appointed from time to time by the Issuer as provided in Section 5 of this Ordinance and who or which shall carry out the duties and responsibilities as set forth in Sections 5 and 6 of this Ordinance.

Section 2. Necessity; Approval of Plans and Specifications. It is hereby determined to be a necessary public purpose of the Issuer to acquire and construct the Project in accordance with the detailed maps, plans and specifications prepared by the Issuer's Engineer and on file with the Issuer, which maps, plans and specifications are hereby approved.

Section 3. Costs; Useful Life. The total cost of the Project is estimated to be not less than Five Million Seven Hundred Forty-Three Thousand Dollars (\$5,743,000) including the payment of incidental expenses as specified in Section 4 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Project is estimated to be not less than forty (40) years.

Section 4. Payment of Cost; Series 2005 Bonds Authorized. To pay part of the cost of acquiring and constructing and equipping the Project and legal, engineering, financial and other expenses incident to said acquisition and construction, and incident to the issuance and sale of the Series 2005 Bonds, it is hereby determined that the Issuer borrow the sum of Three Million One Hundred Twenty-Three Thousand Dollars (\$3,123,000) and that the Series 2005 Bonds be issued therefor pursuant to the provisions of Act 94 and this Ordinance. The remainder of the cost of the Project shall be defrayed from grants and other funds lawfully available therefore.

Except as amended by or expressly provided to the contrary in this Ordinance, all of the provisions of the Outstanding Ordinance shall apply to the Series 2005 Bonds issued pursuant to this Ordinance, the same as though each of said provisions were repeated in this Ordinance in detail; the purpose of this Ordinance being to authorize the issuance of additional revenue bonds of both equal and subordinate lien with respect to the Outstanding Bonds to finance the cost of acquiring additions, extensions and improvements to the System, additional bonds of equal standing with the Outstanding Bonds for such purpose being authorized by the provisions of Section 17 of the Outstanding Ordinance (as amended by this Ordinance), upon the conditions therein stated, which conditions have been fully met.

Section 5. Bond Details. The Series 2005 Bonds shall be issued in two series and shall be designated WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2005A

(LIMITED TAX GENERAL OBLIGATION) (the "2005A Bonds") and WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2005B (LIMITED TAX GENERAL OBLIGATION) (the "2005B Bonds").

(a) The 2005A Bonds shall be dated as of the date of delivery of the first installment, shall consist of one fully-registered nonconvertible bond of the denomination of \$2,383,000 and shall be payable in principal installments serially on November 1 of each year, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2005	\$22,500	2025	\$53,500
2006	23,500	2026	56,000
2007	24,500	2027	58,500
2008	25,500	2028	61,500
2009	26,500	2029	64,000
2010	28,000	2030	67,000
2011	29,000	2031	70,000
2012	30,500	2032	73,000
2013	31,500	2033	76,500
2014	\$33,000	2034	\$80,000
2015	34,500	2035	83,500
2016	36,000	2036	87,000
2017	38,000	2037	91,000
2018	39,500	2038	95,000
2019	41,500	2039	99,500
2020	43,000	2040	104,000
2021	45,000	2041	108,500
2022	47,000	2042	113,500
2023	49,000	2043	118,500
2024	51,500	2044	123,000

(b) The 2005B Bonds shall be dated as of the date of delivery of the first installment, shall consist of one fully-registered nonconvertible bond of the denomination of \$740,000 and shall be payable in principal installments serially on November 1 of each year, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2005	\$7,000	2025	\$16,500
2006	7,000	2026	17,500
2007	7,500	2027	18,000
2008	8,000	2028	19,000
2009	8,500	2029	20,000
2010	8,500	2030	21,000
2011	9,000	2031	21,500
2012	9,500	2032	22,500
2013	10,000	2033	23,500
2014	10,500	2034	25,000

2015	11,000	2035	26,000
2016	11,000	2036	27,000
2017	11,500	2037	28,000
2018	12,000	2038	29,500
2019	13,000	2039	31,000
2020	13,500	2040	32,000
2021	14,000	2041	33,500
2022	14,500	2042	35,000
2023	15,500	2043	37,000
2024	16,000	2044	39,000

The Mayor, Treasurer and City Clerk of the Issuer are hereby authorized to increase or decrease the aggregate principal amount of the Series 2005 Bonds and/or change the payment dates and the amounts of any of the foregoing installments if it is in the best interest of the Issuer, provided the final principal payment of the Series 2005 Bonds shall be due and payable within forty (40) years of the date of issuance of the Series 2005 Bonds.

The Series 2005 Bonds are expected to be delivered to the Government as initial purchaser thereof in installments (the "delivery installments") and each delivery installment shall be noted on the registration grid set forth on the applicable Series 2005 Bond. The delivery installments shall be deemed to correspond to the serial principal installments of the applicable Series 2005 Bond in direct chronological order of said serial principal installments.

The serial principal installments of the Series 2005 Bonds will each bear interest from the date of delivery of the corresponding delivery installment to the registered holder thereof as shown on the registration grid set forth on the Bonds at the rate of not to exceed four and one half percent (4.50%) per annum, payable on the first May 1 or November 1 following the date of delivery of said delivery installment, and semiannually thereafter on May 1 and November 1 of each year until maturity or earlier prepayment of said installment. Acceptance of the interest rate on the Series 2005 Bonds shall be made by execution of the Series 2005 Bonds which so designate the rate specified by the Government and accepted in writing by the Issuer. The Series 2005 Bonds shall be issued in fully-registered form and shall not be convertible or exchangeable into more than one fully-registered bond. The Treasurer and the City Clerk are each authorized to change the interest payment dates prior to issuance of the Series 2005 Bonds without further action by the legislative body of the Issuer.

The Series 2005 Bonds or installments thereof will be subject to prepayment prior to maturity in the manner and at the times as provided in the form of the Series 2005 Bonds set forth in Section 9 of this Ordinance or as may be approved by the Issuer at the time of sale of the Series 2005 Bonds.

Section 6. Bond Registration and Transfer. The Transfer Agent shall keep or cause to be kept at its principal office sufficient books for the registration and transfer of the Series 2005 Bonds, which shall at all times be open to inspection by the Issuer. The Transfer Agent shall transfer or cause to be transferred on said books the Series 2005 Bonds presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe.

Any Bond may be transferred upon the books required to be kept by the Transfer Agent pursuant to this Section, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the Transfer Agent shall record such transfer on the registration books and shall register such transfer on the registration grid attached to the Bond. At the time of such transfer the Transfer Agent shall note on the Bond the outstanding principal amount thereof at the time of such transfer. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Issuer shall not be required (i) to issue, register the transfer of, or exchange any Bond during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of prepayment of Series 2005 Bonds or installments thereof selected for redemption and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange any Bond or portion thereof so selected for prepayment. In the event any Bond is called for prepayment in part, the Transfer Agent, upon surrender of the Bond, shall note on the Bond the principal amount prepaid and shall return the Bond to the registered owner thereof together with the prepayment amount on the prepayment date.

The Issuer's Treasurer is hereby appointed to act as Transfer Agent with respect to the Series 2005 Bonds. If and at such time as the Series 2005 Bonds are transferred to or held by any registered

owner other than the Government, the Issuer by resolution may appoint a bank or trust company qualified under Michigan law to act as transfer agent and bond registrar, and the Issuer may thereafter appoint a successor Transfer Agent upon sixty (60) days notice to the registered owner of the applicable Series 2005 Bond.

Section 7. Payment of the Series 2005 Bonds. Principal of and interest on the Series 2005 Bonds shall be payable from the Net Revenues in lawful money of the United States of America by check or draft mailed by the Transfer Agent to the registered owner at the address of the registered owner as shown on the registration books of the Issuer kept by the Transfer Agent. If the Government shall no longer be the registered owner of the Series 2005 Bonds, then the principal of and interest on the Series 2005 Bonds shall be payable to the registered owner of record as of the fifteenth day of the month preceding the payment date by check or draft mailed to the registered owner at the registered address. Such date of determination of the registered owner for purposes of payment of principal or interest may be changed by the Issuer to conform to future market practice. The Issuer's Treasurer is hereby authorized to execute an agreement with any successor Transfer Agent.

The Transfer Agent shall record on the registration books the payment by the Issuer of each installment of principal or interest or both on the Series 2005 Bonds when made and the canceled checks or drafts representing such payments shall be returned to and retained by the Issuer's Treasurer, which canceled checks or drafts shall be conclusive evidence of such payments and the obligation of the Issuer with respect to such payments shall be discharged to the extent of such payments.

Upon payment by the Issuer of all outstanding principal of and interest on the Series 2005 Bonds, the registered owners thereof shall deliver the Bonds to the Issuer for cancellation.

The Issuer has made application to the Department of Treasury for authority to issue and sell the Bonds. Upon receipt of said approval, the Issuer's Mayor, Treasurer and City Clerk each are hereby authorized and directed to negotiate privately the sale of the Series 2005 Bonds to the Government at an interest rate not to exceed four and one-half percent (4.50%) per annum.

The sale of the Series 2005 Bonds to the Government at an interest rate of not to exceed four and one-half percent (4.50%) per annum and at the par value thereof is hereby approved. The Issuer's Treasurer is hereby authorized to deliver the Series 2005 Bonds in accordance with the delivery instructions of the Government, after approval of the issuance and sale thereof by the Department of Treasury pursuant to Act 34, Public Acts of Michigan, 2001, as amended.

Section 8. Execution and Delivery of the Bonds. The Series 2005 Bonds shall be executed in the name of the Issuer with the manual or facsimile signatures of the Mayor and the City Clerk and shall have the corporate seal of the Issuer impressed thereon. After execution, the Series 2005 Bonds shall be held by the Issuer's Treasurer for delivery to the Government. No Bond or any installment thereof shall be valid until registered by the Issuer's Treasurer or by another person designated in writing by the Issuer's Treasurer to act as Bond Registrar, or upon transfer by the Government and thereafter, by an authorized representative of the Transfer Agent.

Section 9. Bond Form. The form and tenor of the Series 2005 Bonds shall be substantially as follows, subject to appropriate variation for series designation and upon issuance of Additional Bonds:

REGISTERED

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF ARENAC

CITY OF STANDISH

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2005[A][B] (LIMITED TAX GENERAL OBLIGATION)

No. R-[A][B]1

\$ _____

The City of Standish, County of Arenac, State of Michigan (the "Issuer"), for value received, hereby promises to pay to the registered owner hereof, but only out of the hereinafter described Net Revenues of the Issuer's Water Supply System including all appurtenances, additions, extensions and improvements thereto (the "System"), the sum of

_____ Dollars

on the dates and in the principal installment amounts set forth in Exhibit A attached hereto and made a part hereof with interest on said installments from the date each installment is delivered to the Issuer and as set forth on the registration grid hereon until paid at the rate of four and one-half percent (4.50%) per annum, first payable on November 1, 2005, and semiannually thereafter; provided that the principal repayments required herein to the registered owner shall not exceed the total of the principal installments set forth on the registration grid attached hereto from time to time hereafter to acknowledge receipt of payment of the purchase price of this bond up to a total of \$ _____. Both principal of and interest on this bond are payable in lawful money of the United States of America to the registered owner at the address shown on the Issuer's registration books by check or draft mailed to the registered holder at the address shown on the registration books of the Issuer, and for the prompt payment thereof, the revenues of the System, after provision has been made for reasonable and necessary expenses of operation, administration and maintenance thereof (the "Net Revenues"), are hereby irrevocably pledged and a statutory lien on such Net Revenues is hereby created that is junior and subordinate only to the statutory lien created by Ordinance No. 187, duly adopted by the Issuer on May 16, 1994 ("Ordinance No. 187") with respect to the Issuer's 1994 Water Revenue Bonds, dated September 1, 1994 (the "Outstanding Bonds") and any bonds issued of equal standing and priority of lien with the Outstanding Bonds.

This bond is a single, fully-registered, non-convertible bond constituting an issue in the total aggregate principal sum of principal sum of \$ _____, issued pursuant to Ordinance No. 230 and Ordinance No. 187 (together, the "Ordinances"), and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended, for the purpose of acquiring and constructing certain additions, renovations, expansions and improvements to the System, together with all necessary interests in land, rights of way and all appurtenances and attachments thereto. For a complete statement of the revenues from which, and the conditions under which, this bond is payable, a statement of the conditions under which additional bonds of equal standing with this bond and of equal standing with the Outstanding Bonds may hereafter be issued, and the general covenants and provisions pursuant to which this bond and the Outstanding Bonds are issued, reference is made to the Ordinances.

This bond is primarily a self-liquidating bond, payable, both as to principal and interest, primarily from the Net Revenues of the System. The principal of and interest on this bond are secured by the statutory lien hereinbefore mentioned. As additional security, the Issuer has pledged its limited tax full faith and credit for payment of the principal of and interest on the bonds of this issue, which includes the Issuer's obligation to levy taxes, if necessary, within applicable constitutional, statutory and charter tax limitations.

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date at par and accrued interest to the date fixed for prepayment.

Thirty days notice of the call of any principal installments for prepayment shall be given by mail to the registered

IN WITNESS WHEREOF, the City of Standish, County of Arenac, State of Michigan, by its City Council, has caused this bond to be signed in its name by its Mayor and to be countersigned by its City Clerk, and its corporate seal to be hereunto affixed, all as of 4/18, 2005.

CITY OF STANDISH

By *Kevin P. King*
Its Mayor

(Seal)

Countersigned:

By *Becky Lakin*
Its City Clerk

REGISTRATION
 NOTHING TO BE WRITTEN HEREON EXCEPT
 BY THE BOND REGISTRAR/TRANSFER AGENT

Date of Registration of Delivery	Name of Registered Owner	Principal Installment Delivered	Signature of Bond Registrar/ Transfer Agent
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

EXHIBIT A

November 1

	<u>Amount</u>
2005	\$22,500
2006	23,500
2007	24,500
2008	25,500
2009	26,500
2010	28,000
2011	29,000
2012	30,500
2013	31,500
2014	33,000
2015	34,500
2016	36,000
2017	38,000
2018	39,500
2019	41,500
2020	43,000
2021	45,000
2022	47,000
2023	49,000
2024	51,500

Series 2005A Bonds

November 1

	<u>Amount</u>
2025	\$53,500
2026	56,000
2027	58,500
2028	61,500
2029	64,000
2030	67,000
2031	70,000
2032	73,000
2033	76,500
2034	80,000
2035	83,500
2036	87,000
2037	91,000
2038	95,000
2039	99,500
2040	104,000
2041	108,500
2042	113,500
2043	118,500
2044	123,000

November 1

	<u>Amount</u>
2005	\$7,000
2006	7,000
2007	7,500
2008	8,000
2009	8,500
2010	8,500
2011	9,000
2012	9,500
2013	10,000
2014	10,500
2015	11,000
2016	11,000
2017	11,500
2018	12,000
2019	13,000
2020	13,500
2021	14,000
2022	14,500
2023	15,500
2024	16,000

Series 2005B Bonds

November 1

	<u>Amount</u>
2025	\$16,500
2026	17,500
2027	18,000
2028	19,000
2029	20,000
2030	21,000
2031	21,500
2032	22,500
2033	23,500
2034	25,000
2035	26,000
2036	27,000
2037	28,000
2038	29,500
2039	31,000
2040	32,000
2041	33,500
2042	35,000
2043	37,000
2044	39,000

Section 10. Security for Junior Lien Bonds; Creation of Subordinate Lien. There is hereby recognized the statutory lien upon the whole of the Net Revenues previously created and established by the Outstanding Ordinance in respect of all Bonds, including the Outstanding Bonds, which is a first lien. There is hereby created and established a statutory lien upon the whole of the Net Revenues of the System that is junior and subordinate only to the statutory first lien created by the Outstanding Ordinance, which junior and subordinate lien shall continue until payment in full of the principal of and interest on all Junior Lien Bonds payable from the Net Revenues, or until sufficient cash or Sufficient Government Obligations have been deposited in trust for payment in full of all Junior Lien Bonds of a series then outstanding, principal and interest on such Junior Lien Bonds to maturity, or, if called for redemption, to the date fixed for redemption together with the amount of the redemption premium, if any. Upon deposit of cash or Sufficient Government Obligations, as provided in the previous sentence, the statutory lien shall be terminated with respect to that series of Junior Lien Bonds, the holders of that series shall have no further rights under the Outstanding Ordinance or this Ordinance, except for payment from the deposited funds, and the Junior Lien Bonds of that series shall no longer be considered to be outstanding under the Outstanding Ordinance or this Ordinance.

In addition, the Series 2005 Bonds being sold to the Government, the Issuer hereby pledges its limited tax full faith and credit for the payment of the principal of and interest on the Series 2005 Bonds. Should the Net Revenues of the System at any time be insufficient to pay the principal of and interest on the Series 2005 Bonds as the same become due, then the Issuer shall advance from any funds available therefor, or, if necessary, levy taxes upon all taxable property in the Issuer, subject to constitutional, statutory and charter limitations, such sums as may be necessary to pay said principal and interest. The Issuer shall be reimbursed for any such advance from the Net Revenues of the System subsequently received which are not otherwise pledged or encumbered by this Ordinance or the Outstanding Ordinance.

Section 11. Budget. Immediately upon the effective date of this Ordinance for the remainder of the current Fiscal Year, and thereafter prior to the beginning of each Fiscal Year, the Issuer shall prepare an annual budget for the System for the ensuing Fiscal Year itemized on the basis of monthly requirements. A copy of such budget shall be mailed to the Government without request from the Government for review prior to adoption (as long as the Government is the registered owner of any of the Series 2005 Bonds), and upon written request to any other registered owners of the Series 2005 Bonds.

Section 12. Custodian of Funds; Funds. The Issuer's Treasurer shall be custodian of all funds belonging to or associated with the System and such funds shall be deposited in the Depository Bank. The Issuer's Treasurer shall execute a fidelity bond with a surety company in an amount at least equal to the maximum annual debt service for the Series 2005 Bonds.

The Issuer's Treasurer is hereby directed to create and maintain the following funds and accounts into which the proceeds of the Series 2005 Bonds and the Revenues from the System shall be deposited in the manner and at the times provided in Ordinance No. 187 and this Ordinance, which funds and accounts shall be established and maintained, except as otherwise provided, so long as the Series 2005 Bonds hereby authorized remain unpaid.

(A) CONSTRUCTION ACCOUNT. The proceeds of the Series 2005 Bonds hereby authorized, and no other funds, shall be deposited in the 2005 WATER SUPPLY SYSTEM PROJECT

CONSTRUCTION FUND ACCOUNT (the "Construction Account"), in the Depository Bank. Moneys in the Construction Account shall be used solely for the purposes for which the Series 2005 Bonds are issued. Notwithstanding the foregoing provisions of this paragraph, if the Government requires the Issuer to deposit Issuer moneys into the Construction Account, the Issuer may do so but shall maintain a separate subaccount in order to maintain an accurate accounting of the proceeds of the Series 2005 Bonds and any investment income thereon.

Any unexpended balance of the proceeds of sale of the Series 2005 Bonds remaining after completion of the Project herein authorized may in the discretion of the Issuer be used for further improvements, enlargements and extensions to the System, provided that at the time of such expenditure such use be approved by the Department of Treasury (if such approval is then required by law). Any remaining balance after such expenditure shall be paid into the Junior Lien Bond and Interest Redemption Fund and used as soon as is practical for the prepayment of installments of the Series 2005 Bonds or for the purchase of installments to the Series 2005 Bonds at not more than the fair market value thereof. Following completion of the Project, any unexpended balance of the Series 2005 Bonds shall be invested at a yield not to exceed the yield on the Series 2005 Bonds.

After completion of the Project and disposition of remaining proceeds, if any, of the Series 2005 Bonds pursuant to the provisions of this Section, the Construction Account shall be closed.

(B) **WATER SUPPLY SYSTEM RECEIVING FUND.** The Revenues of the System shall continue to be collected and set aside into a separate fund as provided in Section 13 of Ordinance No. 187 (the "Receiving Fund"), provided, however Section 13 of the Ordinance No. 187, shall be amended and supplemented, and moneys so deposited therein shall be transferred, expended and used only in the manner and order as follows:

(1) *The following paragraph supplements and replaces Section 13.A of the Outstanding Ordinance:*

Operation and Maintenance Fund. There is hereby continued a separate fund designated the OPERATION AND MAINTENANCE FUND (the "Operation and Maintenance Fund"). Revenues shall be transferred each quarter of the Fiscal Year, commencing upon the effective date of this Ordinance, from the Receiving Fund to the Operation and Maintenance Fund to pay the reasonable and necessary current expenses of administration and operating and maintaining the System for the ensuing quarter.

(2) Water Supply System Revenue Bond-Junior Lien Bond and Interest Redemption Fund. There is hereby created a separate depository account with the Depository Bank designated JUNIOR LIEN BOND AND INTEREST REDEMPTION FUND (the "Junior Lien Bond and Interest Redemption Fund"), the moneys on deposit therein from time to time used solely for the purpose of paying the principal and interest on the Junior Lien Bonds. After the transfer required in (1) above and after the transfer required to the Bond and Interest Redemption Fund under the Outstanding Ordinance (the "Outstanding Bonds Bond and Interest Redemption Fund"), Revenues shall be transferred each quarter of the Fiscal Year, commencing on the date of delivery of the first installment of the Series 2005 Bonds, from the Receiving Fund, before any other expenditures or transfer therefrom, and deposited in the Junior Lien Bond and Interest Redemption Fund for payment of principal of and interest on the Series 2005 Bonds and to fund the Junior Lien Bond Reserve Account as required by this Ordinance.

Upon any delivery of an installment of the Series 2005 Bonds there shall be set aside at the time

of delivery and on the first day of each quarter of the Fiscal Year thereafter to the next interest payment date an amount equal to that fraction of the amount of interest due on the next interest payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next interest payment date. There shall be set aside each Fiscal Year quarter after the first interest payment date, an amount not less than 1/2 of the amount of interest due on the next interest payment date on all outstanding installments of the Series 2005 Bonds not delivered during the then current interest payment period.

Upon any delivery of an installment of the Series 2005 Bonds there shall be set aside at the time of such delivery and on the first day of each quarter of the Fiscal Year thereafter to the next principal payment date an amount equal to that fraction of the amount of principal due on the next principal payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next principal payment date. There shall also be set aside each Fiscal Year quarter after the first principal payment date, an amount not less than 1/4 of the amount of principal due on the next principal payment date. Except as hereinafter provided, no further deposits shall be made into the Series 2005 Bonds and Interest Redemption Fund (excluding the Junior Lien Bond Reserve Account) once the aforesaid sums have been deposited therein. Any amount on deposit in the Junior Lien Bond and Interest Redemption Fund (excluding the Junior Lien Bond Reserve Account) in excess of (a.) the amount needed for payment of principal installments of the Series 2005 Bonds for the then current principal payment period, plus (b.) interest on the Series 2005 Bonds for the then current interest payment period, shall be used by the Issuer for redemption of principal installments of the Series 2005 Bonds in the manner set forth in Section 9 hereof, if such use is impracticable, shall be deposited in or credited to the Receiving Fund.

If for any reason there is a failure to make such quarterly deposit in the amounts required, then the entire amount of the deficiency shall be set aside and deposited in the Junior Lien Bond and Interest Redemption Fund out of the Revenues first received thereafter which are not required by the Outstanding Ordinance and this Ordinance to be deposited in the Operation and Maintenance Fund or in the Junior Lien Bond and Interest Redemption Fund, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

There is hereby created in the Junior Lien Bond and Interest Redemption Fund a separate account to be known as the Junior Lien Bond Reserve Account (the "Junior Lien Bond Reserve Account"). In addition to the amounts required to be deposited into the Senior Lien Bond Reserve Account created under the Outstanding Ordinance, the Junior Lien Bond Reserve Account shall be established and an amount to be determined at the time of sale of the Series 2005 Bonds may be set aside from any lawfully available funds of the Issuer (provided that any amount withdrawn from the Receiving Fund shall be after provision has been made for the Operation and Maintenance Fund, the current requirements of the Outstanding Bonds Bond and Interest Redemption Fund and the current requirements of the Junior Lien Bond and Interest Redemption Fund), sufficient to supplement or provide for the payment of the principal installments of and interest on the Series 2005 Bonds as to which there would otherwise be default (the "Junior Lien Reserve Amount"). In the event the amount on deposit in the Junior Lien Bond Reserve Account exceeds the Junior Lien Reserve Amount determined by the Issuer at sale, the moneys in excess of the Junior Lien Reserve Amount shall be used to pay principal installment of and interest on the Series 2005 Bonds on the next payment date.

If at any time it shall be necessary to use moneys in the Junior Lien Bond Reserve Account for

such payment, then the moneys so used shall be replaced from the Net Revenues first received thereafter which are not required by this Ordinance and the Outstanding Ordinance to be used for operation and maintenance or for current principal and interest requirements for the Series 2005 Bonds and the Outstanding Bonds.

No further payments need be made into the Junior Lien Bond and Interest Redemption Fund after enough of the principal installments of the Junior Lien Bonds have been retired so that the amount then held in the Junior Lien Bond and Interest Redemption Fund (including the Junior Lien Bond Reserve Account), is equal to the entire amount of principal and interest which will be payable at the time of maturity of all the principal installments of the Junior Lien Bonds then remaining outstanding.

The moneys in the Junior Lien Bond and Interest Redemption Fund and the Junior Lien Bond Reserve Account shall be invested in accordance with the Outstanding Ordinance and this Ordinance, and profit realized or income earned on such investment shall be used or transferred as provided in the Outstanding Ordinance and this Ordinance.

(3) Repair, Replacement and Improvement Fund. There is hereby created a separate fund designated REPAIR, REPLACEMENT AND IMPROVEMENT FUND (the "RRI Fund"). After the transfers required in (1) and (2) above, Revenues shall be transferred each Fiscal Year quarter from the Receiving Fund and deposited in the RRI Fund in an amount not less than \$15,000, less the amount, if any, deposited in the Junior Lien Bond Reserve Account at the beginning of the same Fiscal Year quarter. Moneys in the RRI Fund shall be used and disbursed only for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System and (d) when necessary, for the purpose of making payments of principal and interest on the Series 2005 Bonds. If the amount in the Junior Lien Bond and Interest Redemption Fund and the Junior Lien Bond Reserve Account is not sufficient to pay the principal of and interest on the Series 2005 Bonds when due, moneys in the RRI Fund shall be transferred to the Junior Lien Bond and Interest Redemption Fund and used for that purpose. Moneys in the RRI Fund may be invested in accordance with the Outstanding Ordinance and Section 13 of this Ordinance.

(4) REVERSE FLOW OF FUNDS; SURPLUS MONEY. In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund, the Outstanding Bonds Bond and Interest Redemption Fund (including the Bond Reserve Account therein), the Junior Lien Bond and Interest Redemption Fund (including the Junior Lien Bond Reserve Account), or the RRI Fund, any moneys and/or securities in the funds of the System described by this Ordinance and the Outstanding Ordinance shall be transferred, first, to the Operation and Maintenance Fund, second, the Outstanding Bonds Bond and Interest Redemption Fund, third, the Junior Lien Bond and Interest Redemption Fund, and fourth, to the RRI Fund.

All moneys remaining in the Receiving Fund at the end of any Fiscal Year after satisfying the above requirements for the deposit of moneys into the Operation and Maintenance Fund, the Outstanding Bonds Bond and Interest Redemption Fund, the Junior Lien Bond and Interest Redemption Fund, and the RRI Fund may be transferred to the Junior Lien Bond and Interest Redemption Fund and used to call Junior Lien Bonds or portions thereof for redemption, or at the option of the Issuer, transferred to the RRI Fund and used for the purpose for which the funds were established; provided, however, that if there should be a deficit in the Operation and Maintenance Fund, the Outstanding Bonds

Bond and Interest Redemption Fund, the Junior Lien Bond and Interest Redemption Fund, the Junior Lien Bond Reserve Account, or the RRI Fund, on account of defaults in setting aside therein the amounts hereinbefore required, then transfers shall be made from such moneys remaining in the Receiving Fund to such funds in the priority and order named in this Section, to the extent of such deficits.

Section 13. Investments. Moneys in the funds and accounts established herein and moneys derived from the proceeds of sale of the Series 2005 Bonds may be invested by the legislative body of the Issuer on behalf of the Issuer in the obligations and instruments permitted for investment by Section 24 of Act 94, as the same may be amended from time to time; provided, however, that as long as the Series 2005 Bonds are held by the Government, then the investment may be limited to the obligations and instruments authorized by the Government. Investment of moneys in the Junior Lien Bond and Interest Redemption Fund being accumulated for payment on the next maturing principal or interest payment on the Series 2005 Bonds shall be limited to obligations and instruments bearing maturity dates prior to the date of the next maturing principal or interest payment on the Series 2005 Bonds. Investment of moneys in the Junior Lien Bond Reserve Account shall be limited to Government obligations and instruments bearing maturity dates or subject to redemption, at the option of the holder thereof, not later than five (5) years from the date of the investment. In the event investments are made, any securities representing the same shall be kept on deposit with the Depository Bank. Interest income earned on investment of funds in the Receiving Fund, the Operation and Maintenance Fund and the Junior Lien Bond and Interest Redemption Fund (except the Junior Lien Bond Reserve Account), shall be deposited in or credited to the Receiving Fund. Interest income earned on the investment of funds in the Junior Lien Bond Reserve Account shall be deposited in the Junior Lien Bond and Interest Redemption Fund.

Section 14. Rates and Charges. Rates and charges for the services of the System have been fixed pursuant to ordinance in an amount sufficient to pay the costs of operating, maintaining and administering the System, to pay the principal of and interest on the Bonds and to meet the requirements for repair, replacement, reconstruction and improvement and all other requirements provided in Ordinance No. 187 and herein, and otherwise comply with the covenants provided in Ordinance No. 187 and herein. The Issuer hereby covenants and agrees to fix and maintain at all times while any of the Bonds or Junior Lien Bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for the foregoing expenses, requirements and covenants, to provide for the payment of the principal of and interest on all Bonds and Junior Lien Bonds as the same become due and payable, and to provide for all other obligations, expenditures and funds for the System required by law, the Outstanding Ordinance and this Ordinance..

Section 15. No Free Service. No free service shall be furnished by the System to any individual, firm or corporation, public or private or to any public agency or instrumentality.

Section 16. Covenants. The Issuer covenants and agrees, so long as any of the Junior Lien Bonds hereby authorized remain unpaid, as follows:

(a) It will comply with applicable State laws and regulations and continually operate and maintain the System in good condition.

(b)(i) It will maintain complete books and records relating to the operation and financial affairs of the System. If the Government is the holder of any of the Junior Lien Bonds, the

Government shall have the right to inspect the System and the records, accounts, and data relating thereto at all reasonable times.

(ii) It will file with the Department of Treasury and the Government each year, as soon as is possible, not later than ninety (90) days after the close of the Fiscal Year, a report, on forms prepared by the Department of Treasury, made in accordance with the accounting method of the Issuer, completely setting forth the financial operation of such Fiscal Year.

(iii) It will cause an annual audit of such books of record and account for the preceding Fiscal Year to be made each year by a recognized independent certified public accountant, and will cause such accountant to mail a copy of such audit to the Government, without request of the Government, or to the manager of the syndicate or account purchasing any series of the Junior Lien Bonds. Such audit shall be completed and so made available not later than ninety (90) days after the close of each Fiscal Year, and said audit may, at the option of the Issuer, be used in lieu of the statement on forms prepared by the Department of Treasury and all purposes for which said forms are required to be used by this Ordinance.

(c) It will maintain and carry, for the benefit of the holders of the Junior Lien Bonds, insurance on all physical properties of the System, of the kinds and in the amounts normally carried by municipalities engaged in the operation of similar systems. The amount of said insurance shall be approved by the Government. All moneys received for losses under any such insurance policies shall be applied solely to the replacement and restoration of the property damaged or destroyed, and to the extent not so used, shall be used for the purpose of calling Junior Lien Bonds.

(d) It will not borrow any money from any source or enter into any contract or agreement to incur any other liabilities that may in any way be a lien upon the Revenues or otherwise encumber the System so as to impair Revenues therefrom, without obtaining the prior written consent of the Government, nor shall it transfer or use any portion of the Revenues derived in the operation of the System for any purpose not herein specifically authorized.

(e) It will not voluntarily dispose of or transfer its title to the System or any part thereof, including lands and interest in land, sale, mortgage, lease or other encumbrances, without obtaining the prior written consent of the Government.

(f) Any extensions to or improvements of the System shall be made according to sound engineering principles and specifications shall be submitted to the Government for prior review.

(g) To the extent permitted by law, it shall take all actions within its control necessary to maintain the exclusion of the interest on the Junior Lien Bonds from adjusted gross income for general federal income tax purposes under the Internal Revenue Code of 1986, as amended, including but not limited to, actions relating to the rebate of arbitrage earnings, if applicable, and the expenditure and investment of proceeds of the Junior Lien Bonds and moneys deemed to be proceeds of the Junior Lien Bonds.

Section 17. Additional Junior Lien Bonds. The Issuer may issue additional bonds of equal standing with the Junior Lien Bonds for the following purposes and on the following conditions:

(a) To complete construction of the Project according to the plans referred to in Section 1, additional Junior Lien Bonds may be issued in the amount necessary therefor.

(b) For the purpose of making reasonable replacement or extension of the System or refunding any outstanding Junior Lien Bond, an additional Junior Lien Bond of equal standing may be issued if the Adjusted Net Revenues of the System for the Fiscal Year preceding the year in which such additional Junior Lien Bond is to be issued were 100 percent of the average annual debt service requirements on all Bonds then outstanding and those proposed to be issued net of any Bonds to be refunded by the new issue.

For purposes of this Section the term "augmented net revenues" shall mean the Net Revenues of the System for a year, adjusted to reflect the effect of any rate increase placed in effect during that year (but not in effect for the whole year), placed in effect subsequent to the year or scheduled, at the time the new Bond is authorized, to be placed in effect before principal of and interest on the new Bond become payable from Revenues of the System, and augmented by any increase in Revenues or decrease in expenses estimated to accrue from the improvements to be acquired from the new Bond. The adjustments and augmentations provided for in the preceding sentence shall be established by certificate of an independent consulting engineer filed with the City Clerk of the Issuer. If new Bond is issued within 4 months of the end of a Fiscal Year, the determination made in subsection (b)(i) of this Section may be based upon the results of a Fiscal Year ending within 16 months of the date of issuance of the new Bond.

The funds herein established shall be applied to all additional bonds issued pursuant to this Section as if said bonds were part of the original bond issue and all Revenue from any such extension or replacement constructed by the proceeds of an additional bond issue shall be paid to the Receiving Fund mentioned in this Ordinance.

Except as otherwise specifically provided so long as any of such Junior Lien Bonds herein authorized are outstanding, no additional bonds or other obligations pledging any portion of the Revenues of the System shall be incurred or issued by the Issuer unless the same shall be junior and subordinate in all respects to the Junior Lien Bond herein authorized.

Section 18. Ordinance Shall Constitute Contract. The provisions of this Ordinance shall constitute a contract between the Issuer and the bondholders and after the issuance of the Junior Lien Bonds this Ordinance shall not be repealed or amended in any respect which will adversely affect the rights and interests of the holders nor shall the Issuer adopt any law, ordinance or resolution in any way adversely affecting the rights or the holders so long as the Junior Lien Bonds or interest thereon remains unpaid.

Section 19. Refunding of Junior Lien Bonds. If at any time it shall appear to the Government that the Issuer is able to refund upon call for redemption or with consent of the Government the then outstanding Junior Lien Bonds by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Issuer will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government, and will take all such actions as may be required in connection with such loans.

Section 20. Default of Issuer. If there shall be default in the Junior Lien Bond and Interest Redemption Fund, provisions of this Ordinance or in the payment of principal of or interest on any of the Bonds, upon the filing of a suit by 20 percent of the holders of the Bonds, any court having

jurisdiction of the action may appoint a receiver to administer the System on behalf of the Issuer with power to charge and collect rates sufficient to provide for the payment of the Bonds and for the payment of operation, maintenance and administrative expenses and to apply Revenues in accordance with this Ordinance and the laws of the State of Michigan.

The holders of 20 percent of the Bonds may protect and enforce the statutory lien on the Net Revenues and compel the performance of all duties of the officials of the Issuer including the fixing of rates, the collection of revenues, the proper segregation of revenues and the proper allocation of revenues.

Section 21. Ordinance Subject to Michigan Law and Government Regulations. The provisions of this Ordinance are subject to the laws of the State of Michigan and to the present and future regulations of the Government not inconsistent with the express provisions hereof and Michigan law.

Section 22. Fiscal Year of System. The fiscal year for operating the System shall be the Fiscal Year.

Section 23. Issuer Subject to Loan Resolution. So long as the Government is holder of any of the Bonds, the Issuer shall be subject to the loan resolution (RUS Bulletin 1780-27) and shall comply with all provisions thereof.

Section 24. Covenant Not to Defeas. So long as the Government is the holder of any of the Junior Lien Bonds the Issuer covenants that it will not defeas the Junior Lien Bonds held by the Government.

Section 25. Adjustment of Bond Details. The Authorized Officers are hereby authorized to adjust the final bond details set forth herein to the extent necessary or convenient to complete the transaction authorized herein, and in pursuance of the foregoing are authorized to exercise the authority and make the determinations authorized pursuant to Section 7a(1)(c) of Act 94, including but not limited to determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, redemption rights, the place of delivery and payment, and other matters, provided that the principal amount of Series 2005 Bonds issued shall not exceed the principal amount authorized in this Ordinance, the interest rate per annum on the Series 2005 Bonds shall not exceed six percent (6%), and the Series 2005 Bonds shall mature in not more than forty (40) years.

Section 26. Conflict and Severability. All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed, and each section of this Ordinance and each subdivision of any section hereof is hereby declared to be independent, and the finding or holding of any section or subdivision thereof to be invalid or void shall not be deemed or held to affect the validity of any other section or subdivision of this Ordinance.

Section 27. Paragraph Headings. The paragraph headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be a part of this Ordinance.

Section 28. Publication and Recordation. This Ordinance shall be published in full in the Arenac County Independent, a newspaper of general circulation in the Issuer, qualified under State law to publish legal notices, promptly after its adoption, and the same shall be recorded in the Ordinance Book of the Issuer and such recording authenticated by the signatures of the Mayor and City Clerk.

Section 29. Effective Date. This Ordinance is hereby determined by the City Council to be immediately necessary for the preservation of the peace, health and safety of the Issuer and shall be in full force and effect from and after its passage and publication as required by law.

I hereby certify that the foregoing constitutes a true and complete copy of an Ordinance duly adopted by the City Council of the City of Standish, County of Arenac, State of Michigan, at a regular meeting held on the 18th day of April, 2005, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

I further certify that the following Members were present at said meeting:

Mayor Kevin P. King, Council Members Campau, Szostak, Nelson, Sanford,

Winslow and Vollbach.

and that the following Members were absent:

None

I further certify that Member Campau moved adoption of said Ordinance, and that said motion was supported by Member Nelson.

I further certify that the following Members voted for adoption of said Ordinance:

Mayor Kevin P. King, Council Members Campau, Szostak, Sanford,

Nelson, Winslow and Vollbach

and that the following Members voted against adoption of said Ordinance:

None

I further certify that said Ordinance has been recorded in the Ordinance Book and that such recording has been authenticated by the signatures of the Mayor and the City Clerk.

Becky Laker
City Clerk

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