

ORDINANCE NO. 1999-01

AN ORDINANCE TO PROVIDE FOR THE ISSUANCE AND SALE OF REVENUE REFUNDING BONDS TO PAY THE COST OF REFUNDING THE CITY OF MUNISING'S WATER SUPPLY SYSTEM REVENUE BONDS; TO PRESCRIBE THE FORM OF THE BONDS; TO PROVIDE FOR THE COLLECTION OF REVENUES FROM THE WATER SUPPLY 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 AN ADEQUATE RESERVE FUND FOR THE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF THE REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE BONDS OF THE SYSTEM IN ENFORCEMENT THEREOF; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE SYSTEM AND THE BONDS, AND TO AMEND IN PART ORDINANCE NO. 1992-3.

THE CITY OF MUNISING ORDAINS:

Section 1. Definitions. Whenever used in this Ordinance, except when otherwise indicated by the context, the following terms shall have the following meanings:

- (a) "Act 94" means Act 94, Public Acts of Michigan, 1933, as amended.
- (b) "Bonds" means the Series 1999 Bonds and any additional Bonds hereafter issued pursuant to Section 17 of Ordinance No. 1992-3.
- (c) "Bond Purchase Agreement" means the Bond Purchase Agreement relating to the purchase of the Series 1999 Bonds by and between the City and the Purchaser.
- (d) "Issuer" or "City" means the City of Munising, County of Alger, State of Michigan.
- (e) "Mandatory Redemption Requirements" means the mandatory prior redemption requirements for Bonds that are term Bonds, if any, as specified in the Bond Purchase Agreement relating to the Series 1999 Bonds or in any subsequent Ordinance in connection with the issuance of additional bonds.

(f) "Ordinance No. 1992-3" means Ordinance No. 1992-3 adopted by the Issuer on September 21, 1992.

(g) "Project" means the improvements to the System financed with the Refunding Bonds.

(h) "Purchaser" means the initial purchaser of the Series 1999 Bonds.

(i) "Refunded Bonds" means the outstanding 1992 Water Supply System Revenue Bond, dated November 24, 1992 and the outstanding 1992 Water Supply System Revenue Bond, Series II, dated November 24, 1992.

(j) "Revenues" and "Net Revenues" mean the revenues and net revenues of the System and shall be construed as defined in Section 3 of Act 94, including with respect to "Revenues" (i) earnings on additional security, if any, pledged for the payment of the Bonds and (ii) the earnings derived from the investment of moneys in the various funds and accounts established by Ordinance No. 1992-3 and this Ordinance.

(k) "Sales Resolution" means the Sales Resolution to be adopted by the Issuer respecting the sale of the Series 1999 Bonds.

(l) "Series 1999 Bonds" means the Water Supply System Revenue Refunding Bonds, Series 1999, of the Issuer authorized by this Ordinance.

(m) "Sufficient Government Obligations" means direct obligations of the United States of America or obligations the principal and interest on which is fully guaranteed by the United States of America, not redeemable at the option of the issuer, the principal and interest payments upon which, without reinvestment of the interest, come due at such times and in such amounts as to be fully sufficient to pay the interest as

it comes due on the Bonds and the principal and redemption premium, if any, on the Bonds as it comes due whether on the stated maturity date or upon earlier redemption. Securities representing such obligations shall be placed in trust with a bank or trust company, and if any of the Bonds are to be called for redemption prior to maturity, irrevocable instructions to call the Bonds for redemption shall be given to the paying agent.

(n) “System” means the entire Water Supply System of the Issuer, including all plants, works, instrumentalities and properties, used or useful in connection with the production, treatment and distribution of potable water, as the same now exists, and all enlargements, extensions, repairs and improvements thereto hereafter made.

(o) “Transfer Agent” means Old Kent Bank, Grand Rapids, Michigan, or such other bank or trust company designated in the Sales Resolution.

Section 2. Necessity; Public Purpose. It is hereby determined to be a necessary public purpose of the Issuer to refund the Refunded Bonds. The estimated cost of refunding the Refunded Bonds, including contingencies, legal and financing expenses, in the estimated amount of One Million One Hundred Fifteen Thousand Dollars (\$1,115,000), is hereby approved. The Commission does hereby estimate the remaining period of usefulness of the Project to be at least thirty-four (34) years.

Section 3. Payment of Cost; Bonds Authorized. To pay part of the costs associated with the refunding of the Refunded Bonds, including all legal, financial and other expenses incident thereto and incident to the issuance and sale of the Series 1999 Bonds, the Issuer shall borrow the sum of not to exceed Nine Hundred Ninety-Five Thousand Dollars (\$995,000), as finally

determined in the Sales Resolution and issue the Bonds therefor pursuant to the provisions of Act 94. The remaining costs, if any, of refunding the Refunded Bonds shall be defrayed from System funds on hand and legally available for such use, including moneys in the bond reserve account established for the Refunded Bonds.

Section 4. Bond Details, Registration and Execution. The Series 1999 Bonds hereby authorized shall be designated WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS, SERIES 1999, shall be payable solely and only out of the Net Revenues, as set forth more fully herein, shall consist of bonds of the denomination of \$5,000, or integral multiples of \$5,000 not exceeding in any one year the amount maturing in that year, dated as of February 1, 1999 or such other date as shall be determined in the Sales Resolution, numbered in order of authentication, and shall mature on August 1st in the years 1999 to 2032, inclusive, or such other years of maturity as shall be determined in the Sales Resolution but in any event not later than August 1, 2032, and in the amounts shown on Exhibit A attached hereto and made a part hereof, or such other amounts as shall be determined in the Sales Resolution; provided, however, that the principal amounts for any maturity may be increased as long as the aggregate principal amount of the Series 1999 Bonds authorized in this Ordinance. The Series 1999 Bonds may be sold by negotiated sale or competitive sale as further provided in Section 15 of this Ordinance.

The Series 1999 Bonds shall bear interest at a rate or rates determined on the sale thereof, but in any event not exceeding 8% per annum, payable on February 1 and August 1 of each year, commencing August 1, 1999, or such other dates as shall be determined in the Sales Resolution, by check or draft mailed by the Transfer Agent to the person or entity which is, as of the 15th

day of the month preceding the interest payment date, the registered owner at the registered address as shown on the registration books of the Issuer maintained by the Transfer Agent. The date of determination of registered owner for purposes of payment of interest as provided in this paragraph may be changed by the Issuer to conform to market practice in the future. The principal of the Bonds shall be payable at the designated office of the Transfer Agent. The Bonds shall be sold at the price set forth in the Sales Resolution which shall not be less than 97% of the principal amount of the Bonds.

The Series 1999 Bonds may be subject to optional and mandatory redemption prior to maturity at the times and prices and in the manner finally determined by the Commission in the Sales Resolution.

In case less than the full amount of an outstanding Bond is called for redemption, the Transfer Agent upon presentation of the Bond called in part for redemption shall register, authenticate and deliver to the registered owner a new bond in the principal amount of the portion of the original bond not called for redemption. Notice of redemption shall be given in the manner specified in the form of the Bonds contained in Section 14 of this Ordinance.

The Bonds shall be executed in the name of the Issuer with the facsimile signatures of the Mayor and the City Clerk and shall have a facsimile of the Issuer's seal printed on them. No Bond shall be valid until authenticated by an authorized signer of the Transfer Agent. The Bonds shall be delivered to the Transfer Agent for authentication and be delivered by the Transfer Agent to the Underwriter in accordance with instructions from the Treasurer or the City Manager of the Issuer upon payment of the purchase price for the Bonds in accordance with the bid therefor when accepted. Executed blank bonds for registration and issuance to transferees

shall simultaneously, and from time to time thereafter as necessary, be delivered to the Transfer Agent for safekeeping.

The Bonds may be issued in a form suitable for safekeeping through The Depository Trust Company in New York, New York (“DTC”) and the City Clerk, the City Treasurer and the City Manager each is authorized to execute such custodial or other agreement with DTC as may be necessary to accomplish the issuance of the Bonds in such form and to make such changes in the Bond form with the parameters of this Ordinance as may be required to accomplish the foregoing.

Section 5. Registration and Transfer. Any Bond may be transferred upon the books required to be kept pursuant to this section by the person in whose name it is registered, in person or by the registered owner’s duly authorized attorney, upon surrender of the Bond for cancellation, 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 Issuer shall execute and the transfer agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. The Transfer Agent shall require payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Transfer Agent shall not be required (i) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Bonds contained in Section 14 of this Ordinance and ending at the close of business on the day of that giving of notice, or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds

being redeemed in part. The Issuer shall give the Transfer Agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

The Transfer Agent shall keep or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Transfer Agent shall, under such reasonable regulations as it may prescribe, transfer or cause to be transferred, on said books, Bonds as hereinbefore provided.

If any Bond shall become mutilated, the Issuer, at the expense of the holder of the Bond, shall execute, and the Transfer Agent shall authenticate and deliver, a new Bond of like tenor in exchange and substitution for the mutilated Bond, upon surrender to the Transfer Agent of the mutilated Bond. If any Bond issued under this Ordinance shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the Transfer Agent and, if this evidence is satisfactory to both and indemnity satisfactory to the Transfer Agent shall be given, and if all requirements of any applicable law including Act 354, Public Acts of Michigan, 1972, as amended ("Act 354"), being sections 129.131 to 129.135, inclusive, of the Michigan Compiled Laws have been met, the Issuer, at the expense of the owner, shall execute, and the Transfer Agent shall thereupon authenticate and deliver, a new Bond of like tenor and bearing the statement required by Act 354, or any applicable law hereafter enacted, in lieu of and in substitution for the Bond so lost, destroyed or stolen. If any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond the Transfer Agent may pay the same without surrender thereof.

Section 6. Payment of Bonds. The Bonds and the interest thereon shall be payable solely and only from the Net Revenues, and to secure such payment, there is hereby created a statutory lien upon the whole of the Net Revenues which shall be a first lien to continue until payment in full of the principal of and interest on all 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 Bonds of a series then outstanding, principal and interest on such 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 Bonds, the holders of that series shall have no further rights under this Ordinance except for payment from the deposited funds, and the Bonds of that series shall no longer be considered to be outstanding under this Ordinance.

Section 7. [Reserved].

Section 8. Bondholders' Rights; Receiver. The holder or holders of the Bonds representing in the aggregate not less than twenty percent (20%) of the entire principal amount thereof then outstanding, may, by suit, action, mandamus or other proceedings, protect and enforce the statutory lien upon the Net Revenues of the System, and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties of the officers of the Issuer, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of the Revenues of the System and the proper application thereof. The statutory lien upon the Net Revenues, however, shall not be construed as to compel the sale of the System or any part thereof.

If there is a default in the payment of the principal of or interest on the Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the Issuer and under the direction of the court, and by and with the approval of the court to perform all of the duties of the officers of the Issuer more particularly set forth herein and in Act 94.

The holder or holders of the Bonds shall have all other rights and remedies given by Act 94 and law, for the payment and enforcement of the Bonds and the security therefor.

Section 9. Rates and Charges; Rate Covenant. The rates and charges for service furnished by and the use of the System and the methods of collection and enforcement of the collection of the rates shall be those in effect on date even herewith, as the same may be increased from time to time.

The Issuer covenants to set and maintain rates so that there shall be produced each fiscal year of the Issuer Net Revenues in an amount not less than 100 percent of the principal of and interest on the Bonds coming due in such fiscal year or any future fiscal year.

Section 10. No Free Service or Use. No free service or use of the System, or service or use of the System at less than the reasonable cost and value thereof, shall be furnished by the System to any person, firm or corporation, public or private, or to any public agency or instrumentality, including the Issuer.

Section 11. Fixing and Revising Rates. The rates presently in effect are estimated to be sufficient to provide for the payment of the expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the System in good repair and working order, to provide for the payment of the principal of and interest on the Bonds as

the same become due and payable, and the maintenance of the reserve therefor and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance. The rates shall be reviewed not less than once a year and shall be fixed and revised from time to time as may be necessary to produce these amounts, and it is hereby covenanted and agreed to fix and maintain rates for services furnished by the System at all times sufficient to provide for the foregoing.

Section 12. Bond Payment Fund and Bond Reserve Account. Section 12 of Ordinance No. 1992-3 is supplemented to add the following provisions:

(2) Water Supply System Revenue Refunding Bond - Bond and Interest Redemption Fund. There is hereby established a separate fund to be designated as the REVENUE REFUNDING BOND - BOND AND INTEREST REDEMPTION FUND (the "Redemption Fund"). There shall be deposited in or credited to the Redemption Fund the proceeds of the Series 1999 Bonds representing accrued interest, if any. After the transfer required in Section 12(B) (1) of Ordinance No. 1992-3, Revenues shall be transferred each quarter of the Fiscal Year, commencing April 1, 1999, from the Receiving Fund, before any other expenditures or transfer therefrom, and deposited in the Redemption Fund for payment of principal of and interest on the Series 1999 Bonds and to replenish the Bond Reserve Account (hereafter defined), if necessary. There shall be set aside at the time of delivery of the Series 1999 Bonds 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, 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 on or after April 1, 1999, an amount not less than 1/2 of the amount of interest due on the next interest payment date on the Series 1999 Bonds. In the event a principal payment is due on the Series 1999 Bonds on August 1, 1999, then there shall be set aside on April 1, 1999 an amount of Revenues not less than 1/2 of the principal payment due on August 1, 1999. These shall also be set aside each Fiscal Year quarter on or after October 1, 1999 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 Redemption Fund (excluding the Bond Reserve Account) once the aforesaid sums have been deposited therein. Any amount on deposit in the Redemption Fund (excluding the Bond Reserve Account) in excess of (a.) the amount needed for payment of principal of the Series 1999

Bonds for the then current principal payment period, plus (b.) interest on the Series 1999 Bonds for the then current interest payment period, shall be used by the Issuer for redemption of the Series 1999 Bonds in the manner set forth in this Ordinance, or, 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 Redemption Fund out of the Revenues first received thereafter which are not required by this Ordinance to be deposited in the Operation and Maintenance Fund or in the Redemption Fund, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

There is hereby established in the Redemption Fund a separate account to be designated the BOND RESERVE ACCOUNT (the "Bond Reserve Account"). On or before the date of delivery of the Series 1999 Bonds, the Issuer shall transfer from the bond reserve account for the Refunded Bonds established under Ordinance No. 1992-3 of the Issuer such moneys on deposit in said account the lesser of the amount on deposit in said bond reserve amount or an amount equal to the Bond Reserve Requirement and deposit same into the Bond Reserve Account. From the proceeds of the Series 1999 Bonds there shall be deposited into the Bond Reserve Account an amount specified in the Sales Resolution. Except as hereinafter provided, no further deposits shall be made into the Redemption Fund for the purposes of the Bond Reserve Account once the aforesaid sums have been deposited therein. The moneys in the Bond Reserve Account shall be used solely for the payment of the principal of and interest on the Series 1999 Bonds as to which there would otherwise be default.

The term "Bond Reserve Requirement" means the lesser of (i) ten percent (~~70%~~) of the issue price of the Series 1999 Bonds, (ii) 100% of the maximum annual debt service on the Series 1999 Bonds, or (iii) 125% of the average annual debt service on the Series 1999 Bonds.

If at any time it shall be necessary to use moneys in the 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 to be used for operation and maintenance or for current principal and interest requirements for the Series 1999 Bonds.

No further payments need be made into the Redemption Fund after enough of the principal of the Series 1999 Bonds have been retired so that the amount then held in the Redemption Fund (including the 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 of the Series 1999 Bonds then remaining outstanding.

The moneys in the Redemption Fund and the Bond Reserve Account shall be invested in accordance with Section 13 of Ordinance No. 1992-3, and profit realized or income earned on such investment shall be used or transferred as provided in Section 13 of Ordinance No. 1992-3.

Section 13. Bond Proceeds. From the proceeds of the sale of the Series 1999 Bonds, there shall be immediately deposited in the Redemption Fund an amount equal to the accrued interest received on the delivery of the Series 1999 Bonds. In addition, there shall be deposited to the Bond Reserve Account from the proceeds of the Series 1999 Bonds, a sum, which taken together with moneys transferred from the bond reserve account established and maintained for the Refunded Bonds, and/or sums transferred from System funds on hand and legally available for such use, if any, which will be sufficient to meet the requirements of Section 12 hereunder. The Issuer's Treasurer will cause a portion of the proceeds of the Series 1999 Bonds to be wire transferred by the purchaser of the Series 1999 Bonds to the United States of America acting through the Rural Development Service ("RD"), or its designee, on the date of delivery of the Series 1999 Bonds in exchange for the delivery and surrender of the Refunded Bonds to the Issuer or its bond counsel. Alternatively, the Issuer's Treasurer may establish a "Refunding Proceeds Fund" with a bank or trust company having its principal place of business in the State of Michigan and deposit the proceeds of the Series 1999 Bonds in said fund for subsequent payment to RD.

The Issuer's Treasurer is authorized to establish a "Cost of Issuance Account" with a bank or trust company having its principal place of business in the State of Michigan and deposit bond proceeds of the Series 1999 Bonds the amount specified in the Sales Resolution

and is authorized to pay costs of issuance of the Series 1999 ^{bonds} Bonds from said Account. Any funds remaining in the Costs of Issuance Account after ninety days shall be deposited into the Redemption Fund.

The Issuer's Treasurer is also authorized to disburse proceeds of the Series 1999 Bonds to pay the costs of issuance of the Series 1999 Bonds.

Section 14. Bond Form. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF ALGER

CITY OF MUNISING

WATER SUPPLY SYSTEM

REVENUE REFUNDING BOND, SERIES 1999

<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Date of Original</u> <u>Issue</u>	<u>CUSIP</u>
	August 1, _____	_____, 1999	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The City of Munising, County of Alger, State of Michigan (the "Issuer"), for value received, hereby promises to pay, solely and only out of the hereinafter described Net Revenues of the Issuer's Water Supply System (hereinafter defined) the Principal Amount shown above in lawful money of the United States of America to the Registered Owner shown above, or registered assigns, on the Maturity Date shown above, unless prepaid prior thereto as hereinafter provided, with interest thereon from the Date of Original Issue shown above or such later date to which interest has been paid, until paid, at the Interest Rate per annum shown above, payable on _____ 1, 1999, and semiannually thereafter. Principal of this bond is payable upon surrender of this bond at the principal corporate trust office of _____, _____, Michigan (the "Transfer Agent") or such other Transfer Agent as the Issuer may hereafter designate by notice mailed to the registered owner not less than 60 days prior to any interest payment date. Interest on this bond is payable by check or draft mailed by the Transfer Agent to the person or entity who is, as of the 15th day of the month preceding the interest payment date, the registered owner of record, at the registered address as shown on the registration books of the Issuer kept by the Transfer Agent. For prompt payment of principal and interest on this bond, the Issuer has irrevocably pledged the revenues of the Water Supply System of the Issuer (the "System"), including all appurtenances, extensions and improvements thereto (the "System"), after provision has been made for reasonable and necessary expenses of operation, maintenance and administration (the "Net Revenues"), and a statutory first lien thereon is hereby recognized and created.

This bond is one of a series of bonds of even Date of Original Issue aggregating the principal sum of \$ _____, issued pursuant to Ordinance No. 1992-3 as amended by Ordinance No. __, of the Issuer, duly adopted by the City Commission of the Issuer (the

“Ordinances”), and a resolution adopted _____, 1999 by the City Commission of the Issuer, 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 paying the cost of refunding the Issuer’s outstanding 1992 Water Supply System Revenue Bond, dated November 24, 1992 and the Issuer’s outstanding 1992 Water Supply System Revenue Bond, Series II, dated November 24, 1992.

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 as to the Net Revenues may hereafter be issued and the general covenants and provisions pursuant to which this bond is issued, reference is made to the above-described Ordinances.

Bonds of this issue maturing in the years ____ to ____, inclusive, are not subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 maturing in the year ____ and thereafter may be redeemed at the option of the Issuer, in such order as the Issuer shall determine and within any maturity by lot, on any interest payment date on or after August 1, ____ at par and accrued interest to the date fixed for redemption plus a premium expressed as a percentage of par as follows:

____% of the par value of each bond or portion thereof called for redemption on or after August 1, ____, but prior to August 1, ____;

____% of the par value of each bond or portion thereof called for redemption on or after August 1, ____, but prior to August 1, ____; and

____% of the par value of each bond or portion thereof called for redemption on or after August 1, ____, but prior to August 1, ____.

No premium shall be paid on bonds or portions of bonds if called for redemption on or after August 1, ____.

In case less than the full amount of an outstanding bond is called for redemption the Transfer Agent upon presentation of the bond called in part for redemption shall register, authenticate and deliver to the registered owner a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption of any bond or portion thereof shall be given by the Transfer Agent at least thirty (30) days prior to the date fixed for redemption by mail to the registered owner at the registered address shown on the registration books kept by the Transfer Agent. Bonds shall be called for redemption in multiples of \$5,000 and any bond of a denomination of more than \$5,000 shall be treated as representing the number of bonds obtained by dividing the denomination of the bond by \$5,000 and such bond may be redeemed in part. Notice of redemption for a bond redeemed in part shall state that upon surrender of the bond to be redeemed a new bond or bonds in aggregate principal amount equal to the unredeemed portion of the bonds surrendered shall be issued to the registered owner thereof. No further interest on a bond or portion thereof called for redemption shall accrue after the date fixed for redemption,

whether presented for redemption or not, provided funds are on hand with the Transfer Agent to redeem the bond or portion thereof.

This bond is a self-liquidating bond and is not a general obligation of the Issuer and does not constitute an indebtedness of the Issuer within any constitutional, or statutory charter debt limitation of the Issuer but is payable solely and only, both as to principal and interest, from the Net Revenues of the System. The principal of and interest on this bond are secured by the statutory lien hereinbefore mentioned.

The Issuer has covenanted and agreed, and does hereby covenant and agree, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the interest on and the principal of the bonds of this issue and any additional bonds of equal standing as and when the same shall become due and payable, and to create and maintain a bond redemption fund (including a bond reserve account) therefor, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Ordinances.

This bond is transferable only upon the books of the Issuer kept for that purpose at the office of the Transfer Agent by the registered owner hereof in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Transfer Agent duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the Ordinances and upon the payment of the charges, if any, therein prescribed.

It is hereby certified and recited that all acts, conditions and things required by law precedent to and in the issuance of this bond and the series of bonds of which this is one have been done and performed in regular and due time and form as required by law.

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

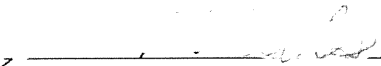
IN WITNESS WHEREOF, the City of Munising, County of Alger, State of Michigan, by its City Commission, has caused this bond to be executed with the facsimile signatures of its Mayor and its City Clerk and a facsimile of its corporate seal to be printed on this bond, all as of the Date of Original Issue.

CITY OF MUNISING

By _____
Carol J. Gatiss Mayor

(Seal)

Countersigned:



Sue Roberts Clerk

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

Certificate of Authentication

This bond is one of the bonds described in the within-mentioned Ordinances.

By _____
Authorized Signatory

Date of Registration:

Section 15. Sale of Series 1999 Bonds; Cancellation of Refunding if Not Economically Advantageous to Issuer; Alternative Method of Sale of the Series 1999 Bonds. The City Manager each is hereby authorized to negotiate a Bond Purchase Agreement with the Purchaser finalizing the details of the Series 1999 Bonds within the authorized parameters of this Ordinance and is authorized to do all other acts and take all other necessary procedures required to effectuate the sale, issuance and delivery of the Bonds.

The City Manager is authorized to cancel the refunding of the Refunded Bonds if the refunding is not economically advantageous.

Notwithstanding any other provisions of this Ordinance to the contrary, the City Manager may direct the Financial Advisor (hereafter defined), if any, and Bond Counsel (hereafter defined) to arrange for sale of the Series 1999 Bonds by competitive sale rather than negotiated sale. The City Clerk shall then prepare a notice of sale of the Series 1999 Bonds, shall set a date for sale of the Bonds, and shall arrange for the publication of the notice of sale in an authorized publication not less than fourteen (14) days prior to the date of sale of the Series 1999 Bonds.

Section 16. Tax Matters. The Issuer shall, to the extent permitted by law, take all actions within its control necessary to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), including, but not limited to, actions relating to any required rebate of arbitrage earnings and the expenditures and investment of Bond proceeds and moneys deemed to be Bond proceeds.

Section 17. Disclosure. The Issuer covenants to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission (“SEC”) regarding continuing disclosure if required.

Section 18. Bond Counsel; Financial Advisor; Purchaser. Miller, Canfield, Paddock and Stone, P.L.C. (“Bond Counsel”) is hereby retained as bond counsel in connection with the Bonds. The City Manager is authorized to retain ACI Finance Inc. (“Financial Advisor”) as financial advisor with respect to the Series 1999 Bonds. The City Manager is authorized to negotiate an agreement with the Purchaser for the negotiated sale of the Bonds.

Section 19. Savings Clause. Ordinance No. 1992-3 shall continue in effect, except as specifically supplemented or altered herein.

Section 20. Severability; Paragraph Headings; and Conflict. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance. The paragraph headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be part of this Ordinance.

Section 21. Publication and Recordation. This Ordinance shall be published in full in The Munising News, a newspaper of general circulation in the territory served by the Issuer, qualified under State law to publish legal notices, promptly after its adoption, and shall be recorded in the Ordinance Book of the Issuer and such recording authenticated by the signatures of the Mayor and the City Clerk.

Section 22. Other Matters. The Mayor, the City Clerk, the City Treasurer and the City Manager each is authorized and directed to (a) file with the Michigan Department of Treasury

an application for prior approval of the issuance of the Bonds together with requests for such waivers as each shall deem necessary or appropriate, (b) approve the circulation of a preliminary official statement describing the Bonds and to deem the preliminary official statement "final" for purposes of Rule 15c2-12 of the SEC; (c) solicit bids for and approve the purchase of a municipal bond insurance policy for the Bonds, if, upon the advice of the Financial Advisor or Purchaser, the acquisition of such insurance would be of economic benefit to the Issuer; and (d) do all other acts and take all other necessary procedures required to effectuate the sale, issuance and delivery of the Bonds.

Section 23. Effective Date. Pursuant to the provisions of Section 6 of Act 94, this Ordinance shall be approved on the date of first reading and accordingly this Ordinance shall immediately be effective upon its adoption.

Adopted and signed this 6th day of January, 1997.

Signed Carol J. Gattiss Mayor

Signed Sue Roberts City Clerk

I hereby certify that the foregoing constitutes a true and complete copy of an Ordinance duly adopted by the City Commission of the City of Munising, County of Alger, Michigan, at a Regular meeting held on the 6th day of January, 1999, 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 Commissioners were present at said meeting:

James Gerou. Winfield Steinhoff, Ken Andersen, Louis Miron-Mayor Pro-Tem

_____ and that the following Commissioners were absent: Carol J. Gatiss-Mayor.

I further certify that Commissioner Steinhoff moved adoption of said Ordinance, and that said motion was supported by Commissioner Gerou.

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

James Gerou, Winfield Steinhoff, Ken Andersen, Louis Miron-Mayor Pro-Tem

_____ and that the following Commissioners 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 City Clerk.

Sue Roberts
City Clerk Sue Roberts

EXHIBIT A

1-Aug Year	Principal
1999	\$ 15,000
2000	\$ 10,000
2001	\$ 10,000
2002	\$ 10,000
2003	\$ 15,000
2004	\$ 15,000
2005	\$ 15,000
2006	\$ 15,000
2007	\$ 15,000
2008	\$ 15,000
2009	\$ 20,000
2010	\$ 20,000
2011	\$ 20,000
2012	\$ 20,000
2013	\$ 25,000
2014	\$ 25,000
2015	\$ 25,000
2016	\$ 25,000
2017	\$ 30,000
2018	\$ 30,000
2019	\$ 30,000
2020	\$ 35,000
2021	\$ 35,000
2022	\$ 35,000
2023	\$ 40,000
2024	\$ 40,000
2025	\$ 40,000
2026	\$ 45,000
2027	\$ 45,000
2028	\$ 50,000
2029	\$ 50,000
2030	\$ 55,000
2031	\$ 60,000
2032	\$ 60,000