

A special meeting of the Council for the City of Crystal Falls was held in the Council Chambers at the City Hall on Tuesday, August 18, 2009 at 4:00 p.m. Central Time.

Present: Mayor Hendrickson, Councilors Smokevitch, Burke, and Bicigo.

Absent: Councilor Hagglund.

Also present were: City Manager Nordeman, City Attorney Lawrence, and City Clerk/Treasurer Olson.

The purpose of this special meeting is to consider the approval of an ordinance for the acquisition of bonds for the SRF Sewer Project.

Mayor Hendrickson led the reciting of the Pledge of Allegiance.

Manager Nordeman explained the Standard & Poor's rating on the 2009 Sewage Disposal System Junior Lien Revenue Bonds, Series 2009, dated September 21, 2009, due: September 30, 2029. He noted that this rating provides proof of the City's ability to repay the bonds on the project.

Mayor Hendrickson seconded by Councilor Bicigo, moved to adopt the following ordinance pursuant to the Revenue Bond Act of 1933, 141.106, Sec. 6:

**CITY OF CRYSTAL FALLS
ORDINANCE NO. 2.24**

AN ORDINANCE TO PROVIDE FOR THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO THE SEWAGE DISPOSAL SYSTEM OF THE CITY OF CRYSTAL FALLS; 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 CRYSTAL FALLS 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) "Authority" means the Michigan Municipal Bond Authority.
- (c) "Authorized Officers" means the Mayor, the City Clerk, the City Treasurer and the City Manager of the Issuer.
- (d) "Bonds" means the Series 2009 Bonds, together with any additional bonds hereafter issued of equal standing as to the Net Revenues with the Series 2009 Bonds.
- (e) "Engineers" means AECOM, registered engineers of Iron River, Michigan.
- (f) "Issuer" means the City of Crystal Falls, Michigan.
- (g) "Junior Lien Bonds" means the Series 2009 Bonds together with any additional bonds hereafter issued of equal standing as to the Net Revenues with the Series 2009 Bonds.
- (h) "MDEQ" means the Michigan Department of Environmental Quality.
- (i) "Outstanding Bonds" means the Issuer's 1998 Sewage Disposal System Revenue Bond, dated September 23, 1998, in the outstanding principal amount of \$3,251,000.
- (j) "Prior Ordinance" means Ordinance No. 5.02 of the Issuer authorizing the issuance of the Outstanding Bonds, duly adopted by the City Council of the Issuer on August 10, 1998.
- (k) "Project" means improvements to the System, sanitary sewer system, including the construction of a lift station to replace the existing Western Lift Station, the construction and installation of a wet well, pumps, controls, and electrical improvements, together with the construction and installation of an additional gravity sewer main to the new lift station, a new force main under the Paint River, and related site improvements, structures, equipment and appurtenances.
- (l) "Purchase Contract" means the Purchase Contract to be entered into between the Authority and the Issuer relating to the purchase by the Authority of the Series 2009 Bonds.
- (m) "Revenues" and "Net Revenues" means 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", the earnings derived from the investment of moneys in the various funds and accounts established by the Prior Ordinance and this Ordinance.
- (n) "Senior Lien Bonds" means the Outstanding Bonds and any additional bonds issued pursuant to the Prior Ordinance that are of equal standing and priority of lien with the Outstanding Bonds.

(o) "Series 2009 Bonds" means the Sewage Disposal System Junior Lien Revenue Bonds, Series 2009, in the principal amount of not to exceed \$465,000 issued pursuant to this Ordinance.

(p) "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.

(q) "Supplemental Agreement" means the supplemental agreement among the Issuer, the Authority and MDEQ relating to the Series 2009 Bonds.

(r) "System" means the sewage disposal system of the Issuer, including the Project and all additions, extensions and improvements hereafter acquired.

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 plans and specifications prepared by the Engineers, which plans and specifications are hereby approved. The Project qualifies for the Clean Water Revolving Fund financing program being administered by the MDEQ and the Authority, whereby bonds of the Issuer are sold to the Authority and bear interest at a fixed rate of two and one-half percent (2.50%) per annum.

Section 3. Costs: Useful Life. The cost of the Project is estimated to be Four Hundred Sixty-Five Thousand Dollars (\$465,000), 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 twenty-five (25) years.

Section 4. Payment of Cost: Bonds Authorized. To pay part of the cost of acquiring the Project, legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 2009 Bonds, the Issuer shall borrow the sum of not to exceed Four Hundred Sixty-Five Thousand Dollars (\$465,000), or such lesser amount as shall have been advanced to the Issuer pursuant to the Purchase Contract and the Supplemental Agreement, and issue the Series 2009 Bonds therefore pursuant to the provisions of Act 94. The remaining cost of the Project, if any, shall be defrayed from Issuer funds on hand and legally available for such use.

Except as amended by or expressly provided to the contrary in this Ordinance, all of the provisions of the Prior Ordinance shall apply to the Series 2009 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 subordinate lien with respect to the Outstanding Bonds to finance the cost of acquiring additions, extensions and improvements to the System, additional bonds of subordinate standing with the Outstanding Bonds for such purpose being authorized by the provisions of the Prior Ordinance, upon the conditions therein stated, which conditions have been fully met.

Section 5. Issuance of Series 2009 Bonds: Details. The Series 2009 Bonds of the Issuer, to be designated **SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2009**, are authorized to be issued in the aggregate principal sum of not to exceed Four Hundred Sixty-Five Thousand Dollars (\$465,000) as finally determined by order of the MDEQ for the purpose of paying part of the cost of the Project, including the costs incidental to the issuance, sale and delivery of the Series 2009 Bonds. The Series 2009 Bonds shall be payable out of the Net Revenues, as set forth more fully in Section 8 hereof, provided that the Series 2009 Bonds shall be subordinate to the prior lien with respect to the Net Revenues in favor of the Outstanding Bonds and of any additional bonds of equal standing with the Outstanding Bonds hereafter issued. The Series 2009 Bonds shall be in the form of a single fully-registered, nonconvertible bond of the denomination of the full principal amount thereof, dated as of the date of delivery, payable in principal installments as finally determined by the order of the MDEQ at the time of sale of the Series 2009 Bonds and approved by the Authority and an Authorized Officer. Principal installments of the Series 2009 Bonds shall be payable on April 1 of the years 2011 through 2030, inclusive, or such other payment dates as hereinafter provided. Interest on the Series 2009 Bonds shall be payable on April 1 and October 1 of each year, commencing April 1, 2010 or on such other interest payment dates as hereinafter provided. Final determination of the principal amount of and interest on the Series 2009 Bonds and the payment dates and amounts of principal installments of the Series 2009 Bonds shall be evidenced by execution of the Purchase Contract and each of the Authorized Officers is authorized and directed to execute and deliver the Purchase Contract when it is in final form and to make the determinations set forth above; provided, however, that the first principal installment shall be due no earlier than October 1, 2009 and the final principal installment shall be due no later than October 1, 2039 and that the total principal amount shall not exceed \$465,000.

The Series 2009 Bonds shall bear interest at a rate of two and one-half percent (2.50%) per annum on the par value thereof or such other rate as evidenced by execution of the Purchase Contract, but in any event not to exceed the rate permitted by law, and any Authorized Officer as may be appropriate shall deliver the Series 2009 Bonds in accordance with the delivery instructions of the Authority.

The principal amount of the Series 2009 Bonds is expected to be drawn down by the Issuer periodically, and interest on principal amount shall accrue from the date such principal amount is drawn down by the Issuer.

The Series 2009 Bonds shall not be convertible or exchangeable into more than one fully-registered bond. Principal of and interest on the Series 2009 Bonds shall be payable as provided in the Series 2009 Bonds form in this Ordinance.

The Series 2009 Bonds shall be subject to optional redemption by the Issuer with the prior approval of the Authority. Final determination of the first optional redemption date shall be evidenced by the execution of the Series 2009 Bonds.

The City Treasurer shall record on the registration books payment by the Issuer of each installment of principal or interest or both when made and the cancelled checks or other records evidencing such payments shall be returned to and retained by the City Treasurer.

Upon payment by the Issuer of all outstanding principal of and interest on the Series 2009 Bonds, the Authority shall deliver the Series 2009 Bonds to the Issuer for cancellation.

Section 6. Execution of Series 2009 Bonds. The Series 2009 Bonds shall be signed by the manual or facsimile signature of the Mayor and countersigned by the manual or facsimile signature of the City Clerk and shall have the corporate seal of the Issuer or facsimile thereof impressed thereon. The Series 2009 Bonds bearing the manual or facsimile signatures of the Mayor and the City Clerk sold to the Authority shall require no further authentication.

Section 7. 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 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 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Series 2009 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 8. Payment of Series 2009 Bonds: Security: Priority of Lien. The Series 2009 Bonds and the interest thereon shall not be a general obligation of the Issuer, but shall be payable from the Net Revenues, and to secure such payment, there is hereby recognized the statutory lien upon the whole of the Net Revenues created by this Ordinance which shall be a lien that is junior and subordinate to the lien of the Senior Lien Bonds created by the Prior Ordinance, 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 the Prior Ordinance or this Ordinance except for payment from the deposited funds, and the Bonds of that series shall no longer be considered to be outstanding under the Prior Ordinance or this Ordinance.

Section 9. Management. The operation, repair and management of the System and the acquiring of the Project shall continue to be under the supervision and control of the Issuer.

Section 10. Rates and Charges: No Free Service. Rates and charges for the services of the System have been fixed by 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 the Outstanding Bonds and to meet the requirements for repair, replacement, reconstruction and improvement and all other requirements provided herein and in the Prior Ordinance, and otherwise comply with the covenants herein provided and in the Prior Ordinance. The Issuer hereby covenants and agrees to fix and maintain at all times while any of the 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, and to create and maintain the Junior Lien Redemption Fund (as hereinafter defined) for all such Bonds. The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining, repairing, and operating the same and the amounts necessary for the retirement of all of the Bonds and the Outstanding Bonds, and accruing interest on all of the Bonds and the Outstanding Bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirements of the Prior Ordinance, this Section 10 and Section 11 of this Ordinance. No free service or use of the System, or service or use of the System at less than cost, 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. Funds and Accounts: Flow of Funds. The funds and accounts established by the Prior Ordinance are hereby continued, the flow of funds established by the Prior Ordinance, as amended, is hereby continued, and the applicable sections of the Prior Ordinance relating to funds and accounts and flow of funds are incorporated herein by reference as if fully set forth. Words and terms used in this Section 11 and not otherwise defined in this Ordinance shall have the meanings given to them in the Prior Ordinance. After Revenues have been transferred to the funds and accounts specified by the Prior Ordinance and after meeting all of the requirements for any Senior Lien Bonds specified in the Prior Ordinance, Revenues shall be withdrawn from the Sewage Disposal System Receiving Fund established by the Prior Ordinance quarterly, before any other expenditures or transfers there from, and set aside in and transferred to the fund designated JUNIOR LIEN REDEMPTION FUND, which is hereby created for the payment of principal of and interest on Junior Lien Bonds. The amount to be transferred to the Junior Lien Redemption Fund on the first day of each quarter of each fiscal year shall be not less than 1/2 of the amount of interest due on the next bond payment date for the Junior Lien Bonds, and not less than 1/4 of the principal due on the Junior Lien Bonds on the next bond payment date. 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 Redemption Fund out of the Revenues first received thereafter which are not required by the Prior Ordinance to be deposited in the Operation and Maintenance Fund or in the Sewage Disposal System Revenue Bonds-Bond and Interest Redemption Fund for the Senior Lien Bonds (the "Senior Lien Bond and Interest Redemption Fund"), which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters. No further payments need be made into the Junior Lien Redemption Fund after enough of the Bonds have been retired so that the amount then held in the Junior Lien Redemption Fund is equal to the entire amount of principal and interest which will be payable at the time of maturity of the Junior Lien Bonds then outstanding. Any amount on deposit in the Junior Lien Redemption Fund in excess of the requirements for paying principal of and interest on the Junior Lien Bonds due during the ensuing eighteen months may be used by the Issuer for redemption of the Junior Lien Bonds. In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the funds of the System described in the Prior Ordinance, amounts on deposit in the Receiving Fund shall be transferred, first, to the Operation and Maintenance Fund, second, to the Senior Lien Bond and Interest Redemption Fund, third, to the Repair, Replacement and Improvement Fund, and fourth, to the Junior Lien Redemption Fund.

Section 12. Bond Proceeds. The proceeds of the sale of the Series 2009 Bonds as received by the Issuer shall be deposited in a separate account in a bank or banks qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94 designated 2009 CWRP PROJECT CONSTRUCTION FUND (the "Construction Fund"). Moneys in the Construction Fund shall be applied solely in payment of the cost of the Project and any engineering, legal and other expenses incident thereto and to the financing thereof.

Section 13. Bond Form. The Series 2009 Bonds shall be in substantially the following form with such changes or completion as necessary or appropriate to give effect to the intent of this Ordinance:

**UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF IRON**

CITY OF CRYSTAL FALLS

**SEWAGE DISPOSAL SYSTEM
JUNIOR LIEN REVENUE BOND,
Series 2009**

REGISTERED OWNER: Michigan Municipal Bond Authority

PRINCIPAL AMOUNT: _____ Dollars (\$____,000)

DATE OF ORIGINAL ISSUE: _____, 2009

The CITY OF CRYSTAL FALLS, County of Iron, State of Michigan (the "City"), for value received, hereby promises to pay, but only out of the hereinafter described Net Revenues of the City's Sewage Disposal System (hereinafter defined), to the Michigan Municipal Bond Authority (the "Authority"), or registered assigns, the Principal Amount shown above, or such portion thereof as shall have been advanced to the City pursuant to a Purchase Contract between the City and the Authority and a Supplemental Agreement by and among the City, the Authority and the State of Michigan acting through the Department of Environmental Quality, in lawful money of the United States of America, unless prepaid prior thereto as hereinafter provided.

During the time the Principal Amount is being drawn down by the City under this bond, the Authority will periodically provide to the City a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information; provided that no failure on the part of the Authority to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the City of its obligation to repay the outstanding Principal Amount actually advanced, all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of this bond.

The Principal Amount shall be payable on the dates and in the annual principal installment amounts set forth on the Schedule attached hereto and made a part hereof, as such Schedule may be adjusted if less than \$465,000 is disbursed to the City or if a portion of the Principal Amount is prepaid as provided below, with interest on said principal installments from the date each said installment is delivered to the holder hereof until paid at the rate of two and one-half percent (2.50%) per annum. Interest is first payable on April 1, 2010, and semiannually thereafter on the first day of April and October of each year, as set forth in the Purchase Contract.

Notwithstanding any other provision of this bond, as long as the Authority is the owner of this bond, (a) this bond is payable as to principal, premium, if any, and interest at the designated office of _____ or at such other place as shall be designated in writing to the City by the Authority (the "Authority's Depository"); (b) the City agrees that it will deposit with the Authority's Depository payments of the principal of, premium, if any, and interest on this bond in immediately available funds at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; and (c) written notice of any redemption of this bond shall be given by the City and received by the Authority's Depository at least 40 days prior to the date on which such redemption is to be made.

Additional Interest

In the event of a default in the payment of principal or interest hereon when due, whether at maturity, by redemption or otherwise, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two percent above the Authority's cost of providing funds (as determined by the Authority) to make payment on the bonds of the Authority issued to provide funds to purchase this bond but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Authority has been fully reimbursed for all costs incurred by the Authority (as determined by the Authority) as a consequence of the City's default. Such additional interest shall be payable on the interest payment date following demand of the Authority. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the Authority) the investment of amounts in the reserve account established by the Authority for the bonds of the Authority issued to provide funds to purchase this bond fails to provide sufficient available funds (together with any other funds which may be made available for such purpose) to pay the interest on outstanding bonds of the Authority issued to fund such account, the City shall and hereby agrees to pay on demand only the City's pro rata share (as determined by the Authority) of such deficiency as additional interest on this bond.

For prompt payment of principal and interest on this bond, the City has irrevocably pledged the revenues of the Sewage Disposal System of the City, including all appurtenances, extensions and improvements thereto (the "Sewage Disposal System"), after provision has been made for reasonable and necessary expenses of operation, maintenance and administration (the "Net Revenues"), and a statutory lien thereon is hereby recognized and created which is junior in standing and priority of lien as to the prior lien of the City's outstanding 1998 Sewage Disposal System Revenue Bond, dated September 23, 1998 (the "Outstanding Bonds") and any additional bonds of the City of equal standing and priority of lien with the Outstanding Bonds.

This bond is a single, fully-registered, non-convertible bond in the principal sum indicated above issued pursuant to Ordinance No. 2.24 duly adopted by the City Council of the City (the "Ordinance") and the ordinance authorizing issuance of the Outstanding Bonds (the "Prior Ordinance"), 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 part of the cost of acquiring and constructing additions, extensions and improvements to the Sewage Disposal System of the City.

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 superior and equal standing may hereafter be issued and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinance and the Prior Ordinance. This bond is a self-liquidating bond, payable, both as to principal and interest, from the Net Revenues of the Sewage Disposal System. The principal of and interest on this bond are secured by the statutory lien hereinbefore mentioned.

The City 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 Sewage Disposal System shall be outstanding, such rates for service furnished by the Sewage Disposal System as shall be sufficient to provide for payment of the interest upon and the principal of this bond and any bonds of equal standing with this bond, the Outstanding Bonds and any additional bonds of equal standing with the Outstanding Bonds, as and when the same shall become due and payable, and to maintain a bond redemption fund (including, except for bonds of this issue, a bond reserve account) therefore, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the Sewage

Disposal 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 Sewage Disposal System as are required by the Ordinance and the Prior Ordinance.

Principal installments of this bond are subject to prepayment by the City prior to maturity only with the prior written consent of the Authority and on such terms as may be required by the Authority.

This bond is transferable only upon the books of the City by the registered owner in person or 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 bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefore as provided in the Ordinance, and upon payment of the charges, if any, therein prescribed.

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

IN WITNESS WHEREOF, the City of Crystal Falls, County of Iron, State of Michigan, by its City Council has caused this bond to be executed with the manual signatures of its Mayor and its City Clerk and the corporate seal of the City to be impressed hereon, all as of the Date of Original Issue.

CITY OF CRYSTAL FALLS

By _____
Janet A. Hendrickson, Mayor

(Seal)

Countersigned:

Dorothea M. Olson, City Clerk

SCHEDULE A

Based on the schedule provided below unless revised as provided in this paragraph, repayment of the principal of the bond shall be made until the full amount advanced to the Issuer is repaid. In the event the Order of Approval issued by the Department of Environmental Quality (the "Order") approves a principal amount of assistance less than the amount of the bond delivered to the Authority, the Authority shall only disburse principal up to the amount stated in the Order. In the event (1) that the payment schedule approved by the Issuer and described below provides for payment of a total principal amount greater than the amount of assistance approved by the Order or (2) that less than the principal amount of assistance approved by the Order is disbursed to the Issuer by the Authority, the Authority shall prepare a new payment schedule which shall be effective upon receipt by the Issuer.

<u>Maturity Date</u>	<u>Principal Amount</u>
April 1, 2011	\$20,000
April 1, 2012	\$20,000
April 1, 2013	\$20,000
April 1, 2014	\$20,000
April 1, 2015	\$20,000
April 1, 2016	\$20,000
April 1, 2017	\$20,000
April 1, 2018	\$20,000
April 1, 2019	\$20,000
April 1, 2020	\$20,000
April 1, 2021	\$25,000
April 1, 2022	\$25,000
April 1, 2023	\$25,000
April 1, 2024	\$25,000
April 1, 2025	\$25,000
April 1, 2026	\$25,000
April 1, 2027	\$25,000
April 1, 2028	\$30,000
April 1, 2029	\$30,000
April 1, 2030	\$30,000

Interest on the bond shall accrue on principal disbursed by the Authority to the Issuer from the date principal is disbursed, until paid, at the rate of 2.50% per annum, payable April 1, 2010 and semi-annually thereafter.

Section 14. Bondholders' Rights: Receiver. The holder or holders of the Bonds representing in the aggregate not less than twenty per cent (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 upon the Series 2009 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 Series 2009 Bonds shall have all other rights and remedies given by Act 94 and law, for the payment and enforcement of the Series 2009 Bonds and the security therefore.

Section 15. Additional Bonds. The Issuer may issue additional bonds of equal standing with the Series 2009 Bonds for the following purposes and subject to the following conditions:

- (a) To complete the Project in accordance with the plans and specifications therefore. Such bonds shall not be authorized unless the engineers in charge of construction shall execute a certificate evidencing the fact that additional funds are needed to complete the Project in accordance with the plans and specifications therefore and stating the amount that will be required to complete the Project. If such certificate shall be so executed and filed with the Issuer, it shall be the duty of the Issuer to provide for and issue additional revenue bonds in the amount stated in said certificate to be necessary to complete the Project in accordance with the plans and specifications plus an amount necessary to issue such bonds or to provide for part or all of such amount from other sources.

(b) For subsequent repairs, extensions, enlargements and improvements to the System or for subsequent repairs, extensions, enlargements and improvements to the System and for the purpose of refunding part or all of the Junior Lien Bonds then outstanding and paying costs of issuing such additional Junior Lien Bonds. Junior Lien Bonds for such purposes shall not be issued pursuant to this subparagraph (b) unless the Adjusted Net Revenues of the System for the then last two (2) preceding twelve-month operating years or the Adjusted Net Revenues for the last preceding twelve-month operating year, if the same shall be lower than the average, shall be equal to at least one hundred percent (100%) of the maximum amount of principal and interest thereafter maturing in any operating year on the then outstanding Junior Lien Bonds and on the additional Bonds then being issued. If the additional Junior Lien Bonds are to be issued in whole or in part for refunding outstanding Junior Lien Bonds, the annual principal and interest requirements shall be determined by deducting from the principal and interest requirements for each operating year the annual principal and interest requirements of any Junior Lien Bonds to be refunded from the proceeds of the additional Junior Lien Bonds. For purposes of this subparagraph (b) the Issuer may elect to use as the last preceding operating year any operating year ending not more than sixteen months prior to the date of delivery of the additional Junior Lien Bonds and as the next to the last preceding operating year, any operating year ending not more than twenty-eight months prior to the date of delivery of the additional Junior Lien Bonds. Determination by the Issuer as to existence of conditions permitting the issuance of additional Junior Lien Bonds shall be conclusive. No additional Junior Lien Bonds of equal standing as to the Net Revenues of the System shall be issued pursuant to the authorization contained in this subparagraph if the Issuer shall then be in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

(c) For refunding a part or all of the Junior Lien Bonds then outstanding and paying costs of issuing such additional Junior Lien Bonds including deposits which may be required to be made to the bond reserve account for such Junior Lien Bonds. No additional Junior Lien Bonds shall be issued pursuant to this subsection unless the maximum amount of principal and interest maturing in any operating year after giving effect to the refunding shall be less than the maximum amount of principal and interest maturing in any operating year prior to giving effect to the refunding.

Section 16. Application to MDEQ and Authority; Execution of Documents. The Authorized Officers are hereby authorized to make application to the Authority and to the MDEQ for placement of the Series 2009 Bonds with the Authority. The actions taken by the Authorized Officers with respect to the Series 2009 Bonds prior to the adoption of this Ordinance are ratified and confirmed. The Authorized Officers are authorized to execute and deliver the Purchase Contract and the Supplemental Agreement. Any Authorized Officers is further authorized to execute and deliver such contracts, documents and certificates as are necessary or advisable to qualify the Series 2009 Bonds for the State Revolving Fund. Prior to the delivery of the Series 2009 Bonds to the Authority, any Authorized Officer is hereby authorized to make such changes to the form of Series 2009 Bond contained in Section 13 of this Ordinance as may be necessary to conform to the requirements of Act 227, Public Acts of Michigan 1985, as amended ("Act 227"), including, but not limited to changes in the principal maturity and interest payment dates and references to additional security required by Act 227.

Section 17. Covenant Regarding Tax Exempt Status of the Bonds. The Issuer shall, to the extent permitted by law, take all actions within its control necessary to maintain the exemption of the interest on the Series 2009 Bonds from general federal income taxation (as opposed to any alternative minimum or other indirect taxation) 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 expenditure and investment of Series 2009 Bond proceeds and moneys deemed to be Bond proceeds.

Section 18. Approval of Bond Counsel. The representation of the Issuer by Miller, Canfield, Paddock and Stone, P.L.C. ("Miller Canfield"), as bond counsel is hereby approved, notwithstanding the representation by Miller Canfield of the Authority in connection with the State Revolving Fund program which may include advising the Authority with respect to this borrowing.

Section 19. Approval of Bond Details. The Authorized Officers are each 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 is 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 2009 Bonds issued shall not exceed the principal amount authorized in this Ordinance, the interest rate per annum on the Series 2009 Bonds shall not exceed four percent (4.00%) per annum, and the Series 2009 Bonds shall mature in not more than thirty (30) annual installments.

Section 20. Savings Clause. All ordinances, resolutions or orders, or part thereof, in conflict with the provisions of this Ordinance are, to the extent of such conflict, repealed.

Section 21. 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 22. Publication and Recordation. This Ordinance shall be published in full in the *Reporter*, a newspaper of general circulation in 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 23. Effective Date. This Ordinance shall be effective upon its adoption.

ADOPTED AND SIGNED THIS 18th day of August, 2009.

Councilor Smokevitch seconded by Councilor Bicigo moved to adjourn this special meeting of the City Council.

Motion carried.

Meeting adjourned at 4:18 p.m.

Presiding Officer

Presiding Clerk